

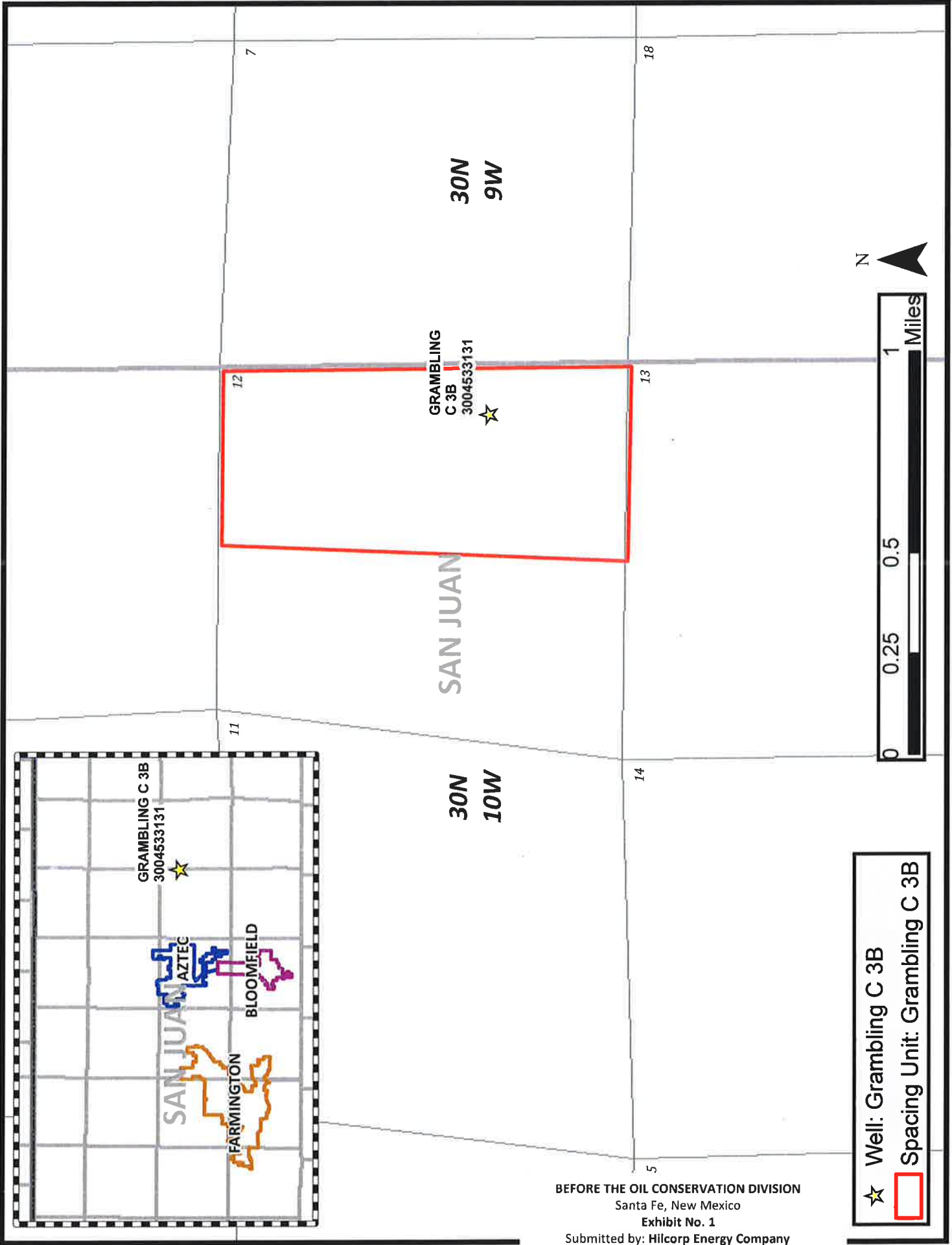
**BEFORE THE OIL CONSERVATION DIVISION
EXAMINER HEARING NOVEMBER 14, 2019**

CASE NOS. 20891-20893

***GRAMBLING C 3B WELL
LAMBE 003M WELL
SHEETS 004E WELL***

SAN JUAN, NEW MEXICO





BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 1
Submitted by: Hilcorp Energy Company
Hearing Date: November 14, 2019
Case # 20891

RECEIVED:	REVIEWER:	TYPE:	APP NO:
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND
 REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: Hilcorp Energy Company **OGRID Number:** 372171
Well Name: Grambling C 3B **API:** 3004533131
Pool: Basin Fruitland Coal / Blanco Mesaverde / Basin Dakota **Pool Code:** 71629/72319/71599

**SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION
 INDICATED BELOW**

1) TYPE OF APPLICATION: Check those which apply for [A]

A. Location – Spacing Unit – Simultaneous Dedication

☐ NSL☐ NSP (PROJECT AREA)☐ NSP (PRORATION UNIT)☐ SD

B. Check one only for [I] or [II]

[I] Commingling – Storage – Measurement

☒ DHC☐ CTB☐ PLC☐ PC☐ OLS☐ OLM

[II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery

☐ WFX☐ PMX☐ SWD☐ IPI☐ EOR☐ PPR**2) NOTIFICATION REQUIRED TO:** Check those which apply.A. ☐ Offset operators or lease holdersB. ☐ Royalty, overriding royalty owners, revenue ownersC. ☐ Application requires published noticeD. ☐ Notification and/or concurrent approval by SLOE. ☐ Notification and/or concurrent approval by BLMF. ☐ Surface ownerG. ☐ For all of the above, proof of notification or publication is attached, and/or,H. ☒ No notice required**FOR OCD ONLY**☐ Notice Complete☐ Application
Content
Complete

- 3) CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Thomas Jacques

Print or Type Name

8/26/2019

Date

832.839.4582

Phone Number

tjacques@hilcorp.com

e-mail Address

BEFORE THE OIL CONSERVATION DIVISION
 Santa Fe, New Mexico

Exhibit No. 2

Submitted by: **Hilcorp Energy Company**

Hearing Date: November 14, 2019

Case # 20891

Signature

District I
1625 N. French Drive, Hobbs, NM 88240

District II
811 S. First St., Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised August 1, 2011

APPLICATION TYPE
☐ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☐ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Hilcorp Energy Company Address 382 Road 3100, Aztec, NM 87410
Lease Grambling C Well No. #003B Unit Letter-Section-Township-Range 112-30N-10W County San Juan

OGRID No. 372171 Property Code 318534 API No. 3004533131 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	BASIN FRUITLAND COAL	BLANCO-MESAVERDE	BASIN DAKOTA
Pool Code	71629	72319	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2765'-2977'	3998'-5568'	7341'-7538'
Method of Production (Flowing or Artificial Lift)	New Zone	Plunger Lift	Plunger Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	150 psi	200 psi	200 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1000 BTU	1000 BTU	1000 BTU
Producing, Shut-In or New Zone	New Zone	Producing	Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: N/A Rates:	Date: 6/2019 Rates: 0 BO, 2303 MCF, 14 BW	Date: 6/2019 Rates: 0 BO, 1135 MCF, 15 BW
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Amanda Walker TITLE Operations/Regulatory Technician Sr. DATE 8/26/2019

TYPE OR PRINT NAME Amanda Walker TELEPHONE NO. (505)324.5122

E-MAIL ADDRESS mwalker@hilcorp.com

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

PO Box 2088
Santa Fe, NM 87504-2088

2005 JUN 1 PM 12 06

Form C-10

Revised February 21, 199

Instructions on bac

Submit to Appropriate District Office

State Lease - 4 Copie

Fee Lease - 3 Copie

☐ AMENDED REPORT

RECEIVED
WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045 331.31	*Pool Code 72319/71599	*Pool Name Blanco Mesaverde/Basin Dakota
*Property Code 7056	*Property Name GRAMBLING C	*Well Number 3B
*GRID No. 14538	*Operator Name BURLINGTON RESOURCES OIL & GAS COMPANY, LP	*Elevation 6287'

¹⁰ Surface Location

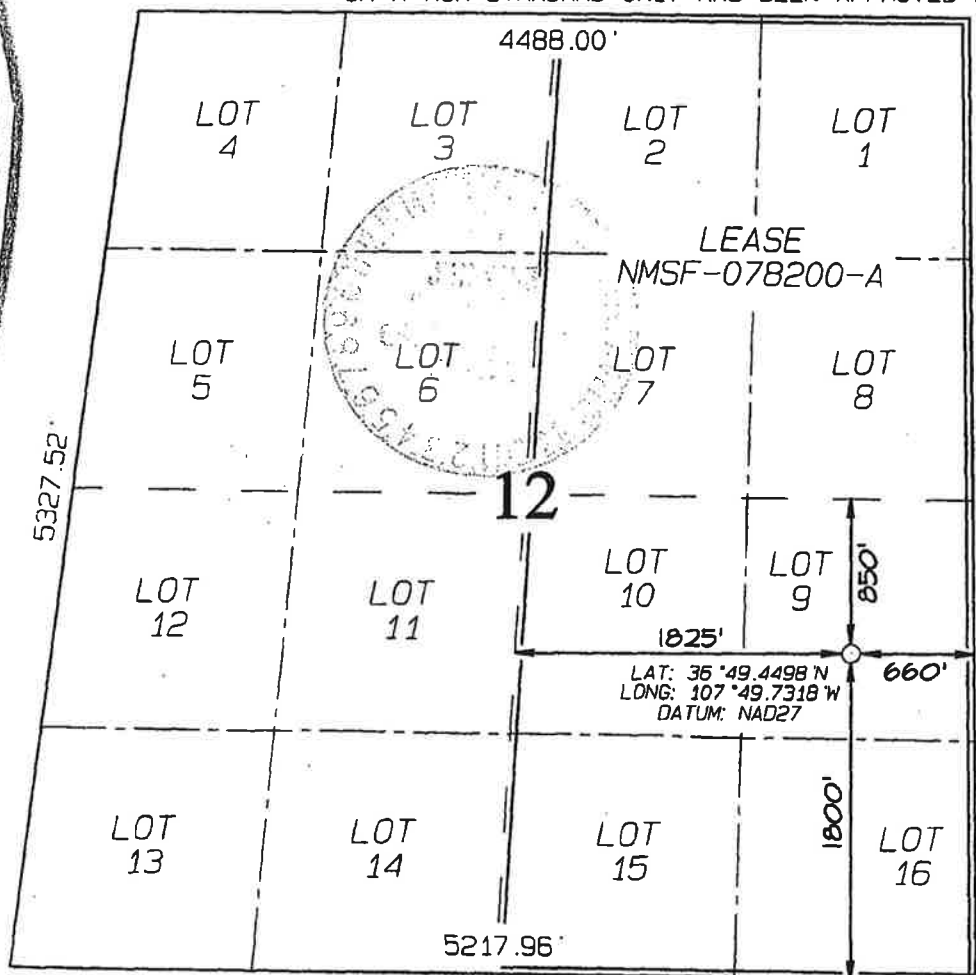
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	12	30N	10W		1800	SOUTH	660	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres MV/DK 296 E/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Frances Bond

Signature

Printed Name

Regulatory Specialist

Title

3-29-05

Date

¹⁸ SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: MARCH 7, 2005

Signature and Seal of Professional Surveyor



JASON C. EDWARDS

Certificate Number 15269

District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural
Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-045-33131	2. Pool Code 71629	3. Pool Name BASIN FRUITLAND COAL (GAS)
4. Property Code 318534	5. Property Name GRAMBLING C	6. Well No. 003B
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6287

10. Surface Location

UL - Lot I	Section 12	Township 30N	Range 10W	Lot Idn 9	Feet From 1800	N/S Line S	Feet From 660	E/W Line E	County SAN JUAN
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 296.00				13. Joint or Infill	14. Consolidation Code			15. Order No.	

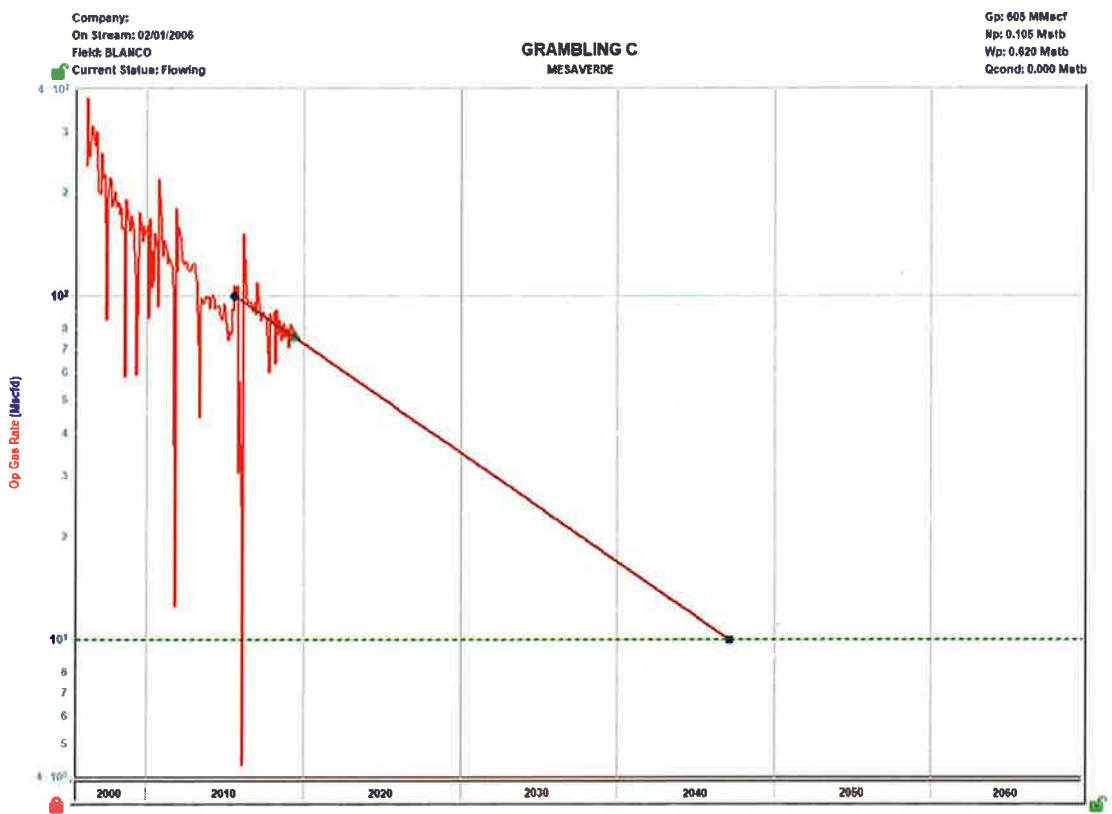
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION	
	<i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i>	
	E-Signed By: <i>Amanda Walker</i> Title: Operations / Regulatory Tech Sr. Date: 8/26/2019	
	SURVEYOR CERTIFICATION	
<i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>		
Surveyed By: Jason Edwards Date of Survey: 3/7/2005 Certificate Number: 15269		

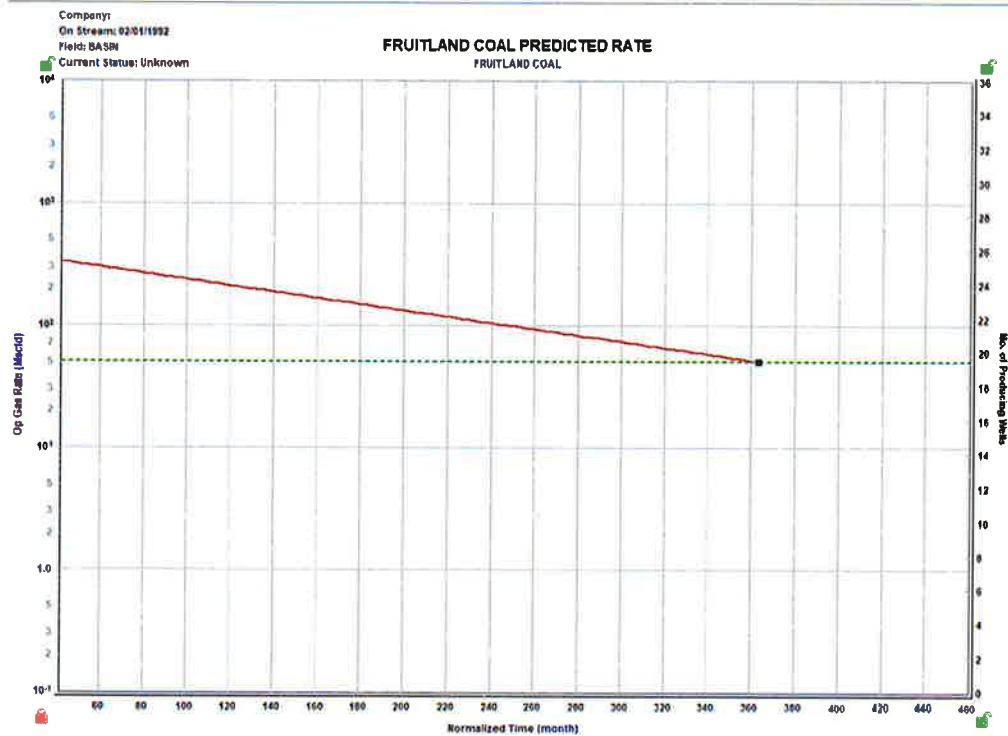
Grambling C #3B Basin Dakota Forecast



Grambling C #3B Blanco-Mesaverde Forecast



Grambling C #3B Predicted Basin Fruitland Coal Forecast



The Grambling C #3B predicted Basin Fruitland Coal rate is based on type well and volumetric analysis of offset Basin Fruitland Coal producers. The reservoir fluids of the commingled completions are compatible.

JUSTIFICATION OF ALLOCATION: Hilcorp requests that production for the downhole commingle be allocated using the subtraction method. The base formations are the Blanco-Mesaverde and the Basin Dakota, and the added formation to be commingled is the Basin Fruitland Coal. The subtraction method applies an average monthly production forecast to the base formation(s) using historic production. All production from this well exceeding the forecast will be allocated to the new formation(s). A fixed percentage based allocation will be submitted after the fourth year of production. See attached documents for production forecast. The Basin Fruitland Coal will not produce oil. All oil produced will be allocated to the Blanco-Mesaverde and Basin Dakota using the current allocation formula.

Historical Production

Basin Dakota

	Oil (BBLS)	Gas (MCF)	Water (BBLS)
Jan-19	0	1076	15
Feb-19	40	1147	14
Mar-19	11	1257	15
Apr-19	11	1177	15
May-19	25	1147	15
Jun-19	0	1135	15

Blanco Mesaverde

	Oil (BBLS)	Gas (MCF)	Water (BBLS)
Jan-19	0	2186	15
Feb-19	0	2085	13
Mar-19	0	2551	15
Apr-19	0	2389	14
May-19	0	2329	15
Jun-19	0	2303	14

Discussion of Pressures

Reservoir	Bottom Hole Pressure
Basin Fruitland Coal	150 psi
Blanco-Mesaverde	200 psi
Basin Dakota	200 psi

The pressures provided are the near wellbore shut in bottom hole pressures of the Blanco-Mesaverde and the Basin Dakota. The near wellbore shut in bottom hole pressure is much lower than the far field stabilized reservoir pressure calculated with moving domain material balance due to the low permeability of the reservoirs. Based on pressure transient analysis performed in the San Juan Basin, it would take 7-25 years for shut in bottom hole pressures to build up to the calculated far-field reservoir pressure. Our observation is that even for areas of high static reservoir pressure, the low permeability of the reservoir rock results in rapid depletion of the near-fracture region quickly enough that the wells are unable produce without the aid of a plunger. Given low permeability and low wellbore flowing pressure in the Basin Dakota, Blanco-Mesaverde and Basin Fruitland Coal, loss of reserves due to cross-flow is not an issue during producing or shut-in periods. Given the low shut-in bottom hole pressures, commingling the Basin Dakota, Blanco-Mesaverde and Basin Fruitland Coal in this well will not result in shut-in or flowing wellbore pressures in excess of any commingled pool's fracture parting pressure.

John Brown 8/12/19
John Brown

Hilcorp San Juan Reservoir Engineer



August 26, 2019

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
Attn: Michael McMillan

Re: C-107-A (Downhole Commingle)
GRAMBLING C #003B
API: 30-045-33131
T30N-R10W-Section 12, Unit Letter: I
San Juan County, NM

Mr. McMillan:

Concerning Hilcorp Energy Company's C-107-A application to downhole commingle production in the subject well, this letter serves to confirm the following:

- **All working, royalty and overriding royalty interests are identical** between the Blanco Mesaverde (72319), Basin Dakota (71599) and Basin Fruitland Coal (71629) in the spacing unit dedicated to these formations; being the E/2 of Township 30 North, Range 10 West, Section 12. Therefore, no notice to interest owners is required.
- The spacing unit is comprised of a federal lease. Therefore, pursuant to Subsection C.(1) of 19.15.12.11 NMAC, a copy of the C-107-A has been sent to the BLM as of the date of this letter.

If you have any questions or concerns regarding this matter, please do not hesitate to contact me at the email or number provided below.

Regards,

Hilcorp Energy Company

A handwritten signature in blue ink, appearing to read 'Robert T. Carlson'.

Robert T. Carlson
Landman
(832) 839-4596
rcarlson@hilcorp.com

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.*5. Lease Serial No.
NMSF078200A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

SUBMIT IN TRIPLICATE - Other instructions on page 28. Well Name and No.
GRAMBLING C 3B9. API Well No.
30-045-3313110. Field and Pool or Exploratory Area
BASIN FRUITLAND COAL11. County or Parish, State
SAN JUAN COUNTY, NM1. Type of Well
☐ Oil Well ☐ Gas Well ☒ Other: COAL BED METHANE2. Name of Operator
HILCORP ENERGY COMPANY
Contact: AMANDA WALKER
E-Mail: mwalker@hilcorp.com3a. Address
1111 TRAVIS ST.
HOUSTON, TX 770023b. Phone No. (include area code)
Ph: 505-324-51224. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec 12 T30N R10W Mer NMP NESE 1800FSL 660FEL**12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Hydraulic Fracturing	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☒ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompletable horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletable in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

Hilcorp Energy Company requests permission to recompletable the subject well in the Fruitland Coal and downhole commingle with the existing Mesaverde/Dakota. Please see the attached procedure, wellbore diagram, plat and gas capture plan. A closed loop system will be used. Interim reclamation will be performed after surface disturbing activities using the following attached plan.

14. I hereby certify that the foregoing is true and correct.

**Electronic Submission #480416 verified by the BLM Well Information System
For HILCORP ENERGY COMPANY, sent to the Farmington**

Name (Printed/Typed) AMANDA WALKER

Title OPERATIONS REGULATORY TECH

Signature (Electronic Submission)

Date 08/26/2019

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****



HILCORP ENERGY COMPANY
GRAMBLING C 3B
FRUITLAND COAL RECOMPLETION SUNDRY

GRAMBLING C 3B - CURRENT WELLBORE SCHEMATIC

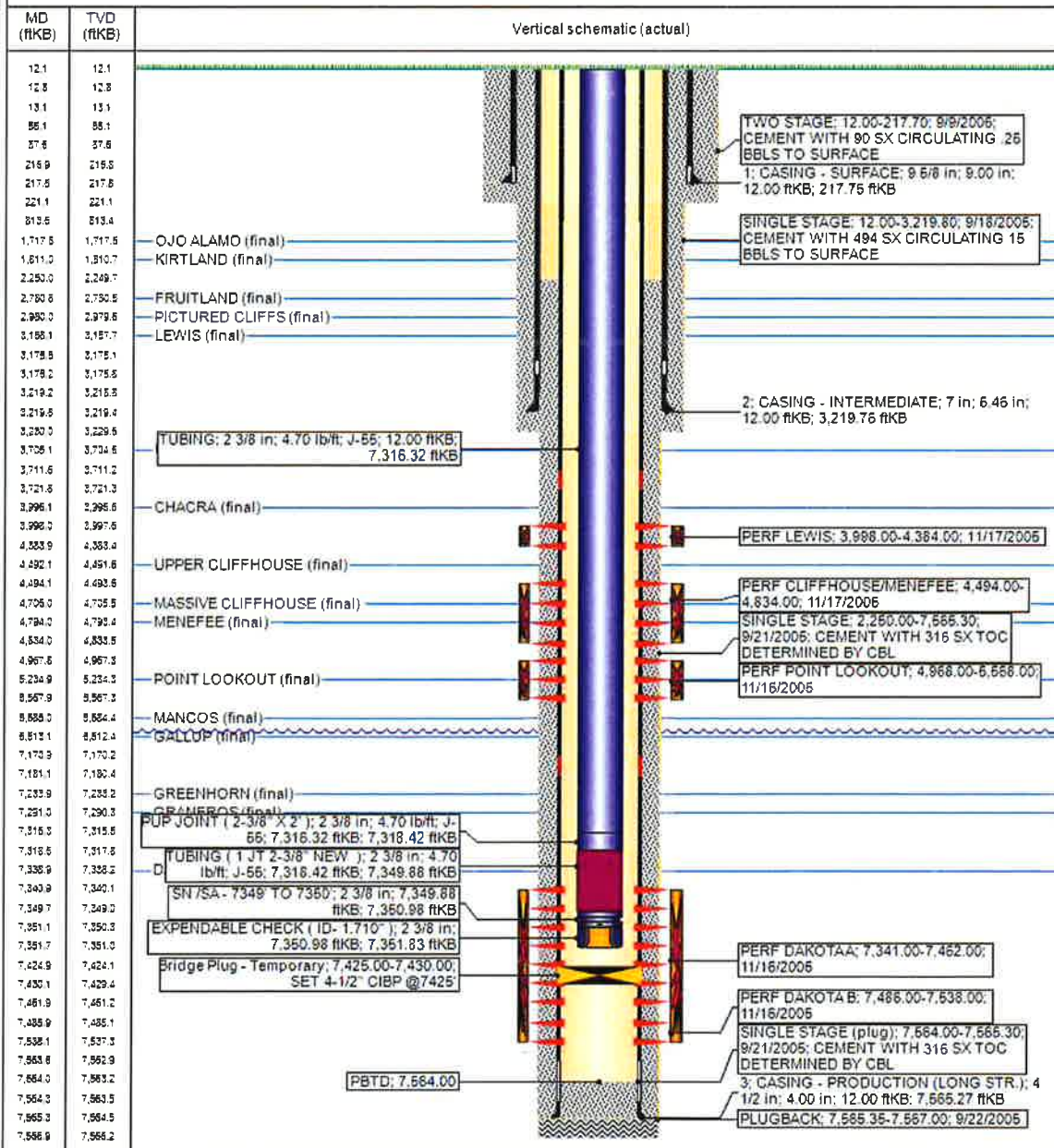


Current Schematic - Version 3

Well Name: GRAMBLING C #3B

API UWI 3004533131	Surface Location 012-030N-010W-1	Field Name BLANCO MESAVERDE (PRORATED GAS)	Route 0410	State/Province NEW MEXICO	Well Configuration Type
Ground Elevation (ft) 6,287.00	Original KB RT Elevation (ft) 6,299.00	KB-Grnd Distance (ft) 12.00	KB-Casing Flange Distance (ft)	KB-Tubing Flange Distance (ft)	

Original Hole, 8/22/2019 12:58:47 PM





HILCORP ENERGY COMPANY
GRAMBLING C 3B
FRUITLAND COAL RECOMPLETION SUNDRY

GRAMBLING C 3B - CURRENT WELLBORE SCHEMATIC

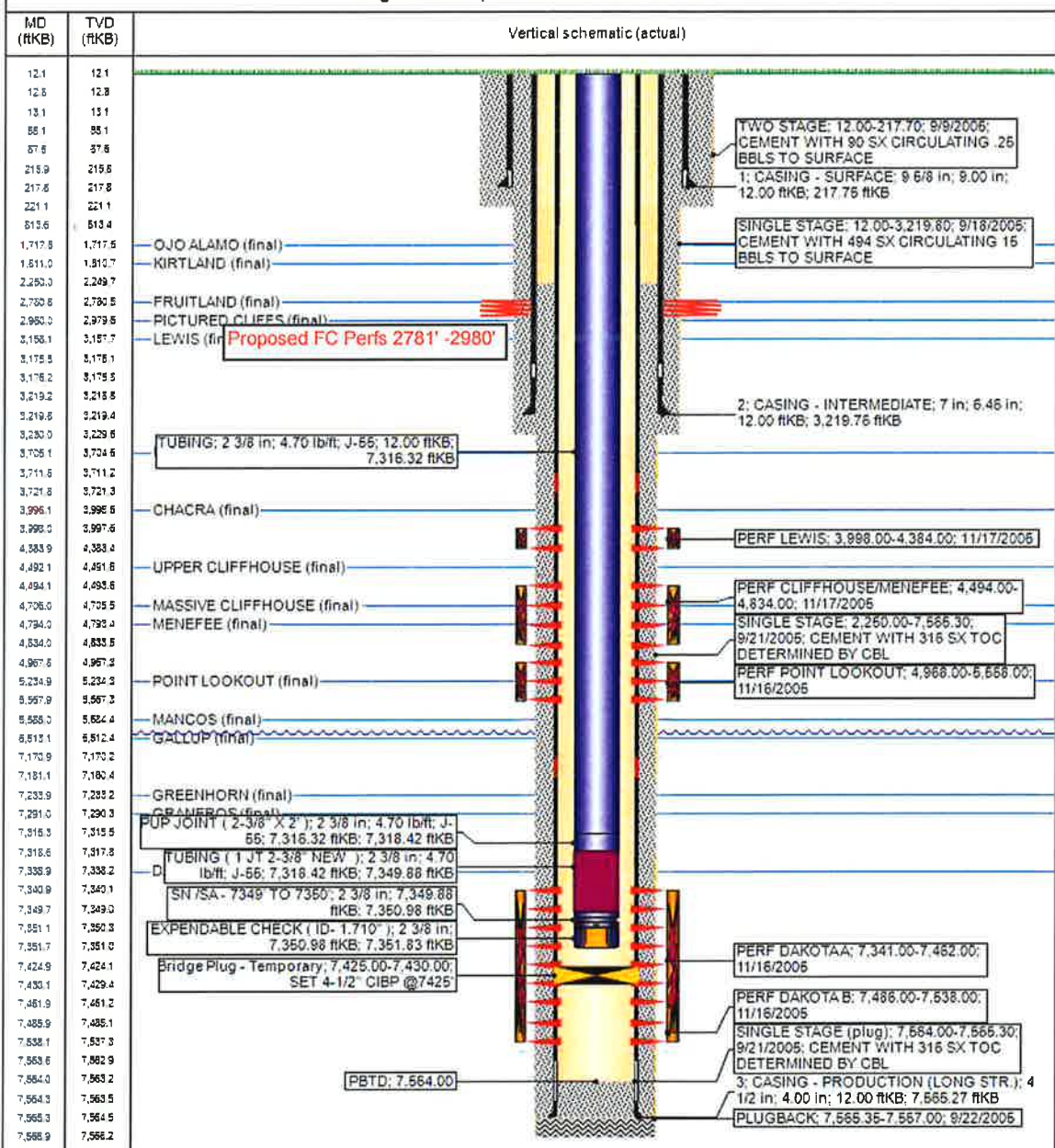


Proposed Schematic

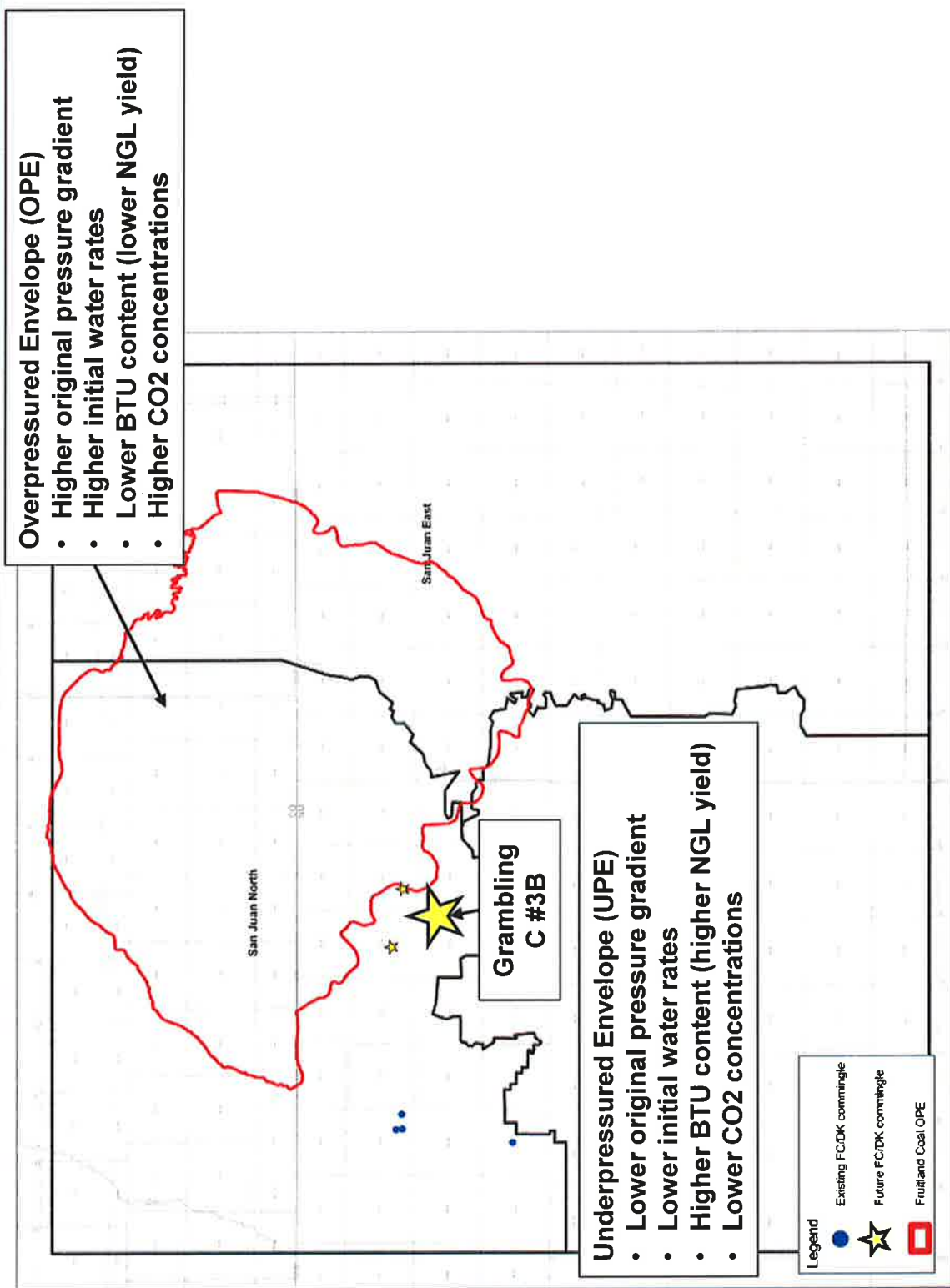
Well Name: GRAMBLING C #3B

API / UWI 3004533131	Surface Legal Location 012-030N-010W-1	Field Name BLANCO MESAVERDE (PRORATED GAS)	Route 0410	State/Province NEW MEXICO	Well Configuration Type
Ground Elevation (ft) 6,287.00	Original KB/RT Elevation (ft) 6,299.00	KB-Ground Distance (ft) 12.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

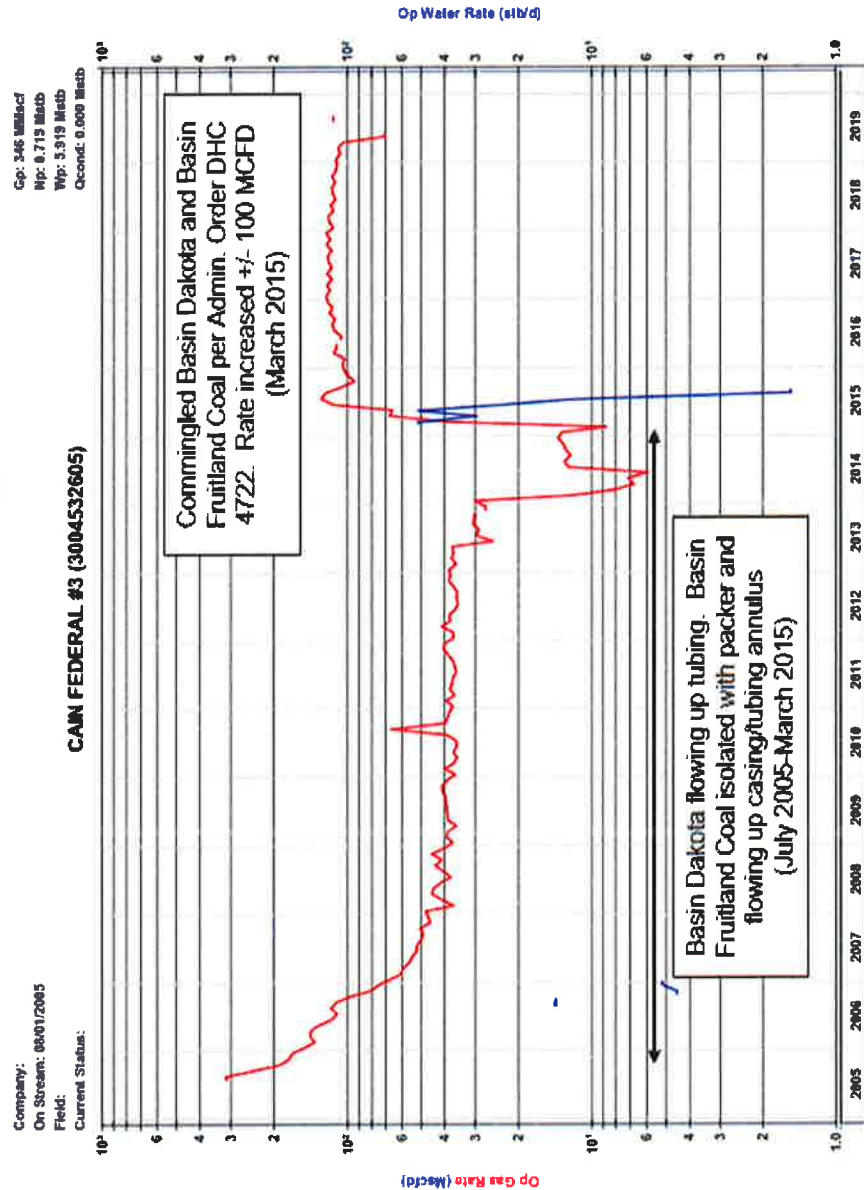
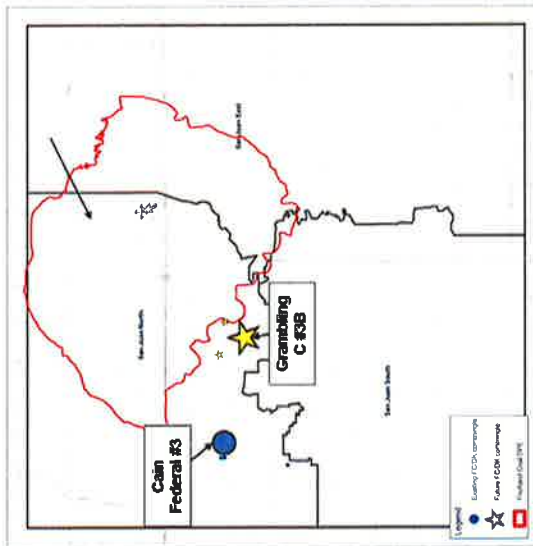
Original Hole, 8/22/2019 12:58:47 PM



Fruitland Coal Introduction



Example of Basin Dakota Basin / Fruitland Coal Commingle



Grambling C #3B Gas Treating and Processing



Produced gas from the Grambling C #3B Blanco Mesaverde / Basin Dakota currently flows to Enterprise Chaco processing plant.

- NGL's are processed.

Commingled Blanco Mesaverde, Basin Dakota, and Basin Fruitland Coal production from Grambling C #3B will still flow to Enterprise Chaco processing plant.

- NGL's will be processed.

Grambling C #3B Blanco Mesaverde / Basin Dakota gas has similar BTU and CO2 content to offset Basin Fruitland Coal production:

Well	API	Formation	BTU	CO2 Content
Grambling C #3B	3004533131	Blanco Mesaverde/ Basin Dakota	1,176	1.63%
Turner Com #250	3004527039	Basin Fruitland Coal	1,144	1.05%

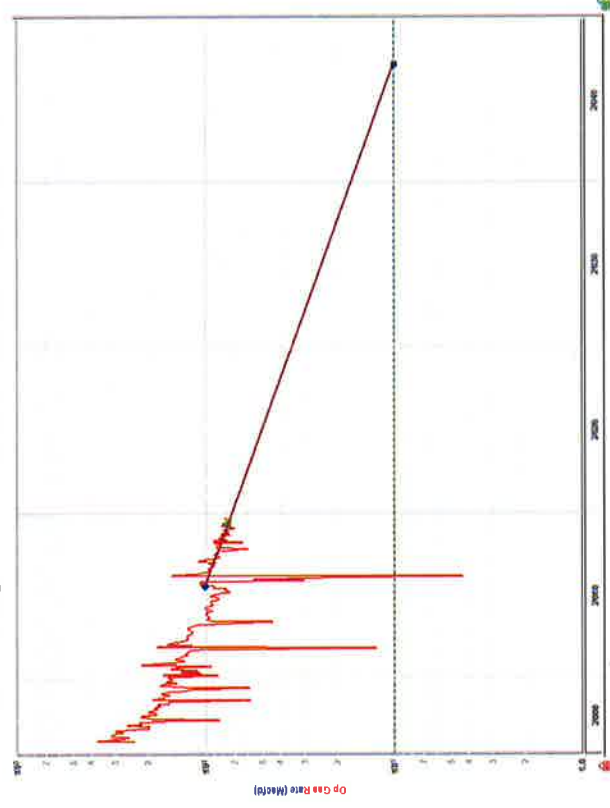
The commingling of Blanco Mesaverde, Basin Dakota, and Basin Fruitland Coal in the Grambling C #3B will not reduce the value of gas stream for royalty owners in either formation

Grambling C #3B Gas Production Allocation

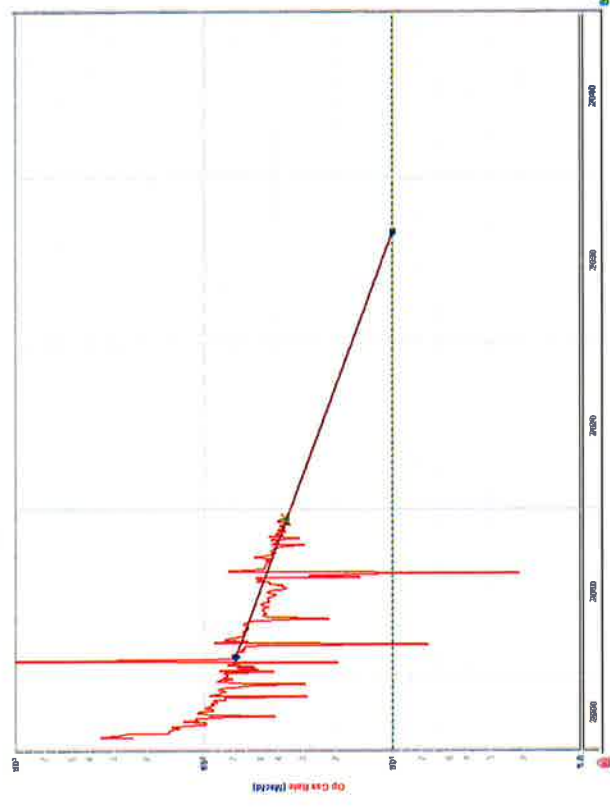


Gas production from the commingled Basin Fruitland Coal, Blanco Mesaverde, and Basin Dakota will be allocated using subtraction method.

Grambling C #3B Blanco Mesaverde Forecast



Grambling C #3B Basin Dakota Forecast



All gas production exceeding combined Blanco Mesaverde and Basin Dakota forecasts will be allocated to Basin Fruitland Coal.

Basin Fruitland Coal Water Production



The Basin Fruitland Coal is dewatered in the Grambling C #3B area.

- Offset Basin Fruitland Coal producers produce an average of 0.1 BWPD

API	Water Rate (BWPD)	Distance From Grambling C #3B (feet)
300452705400	0.3	2,306
300452705500	-	2,842
300452700600	-	2,744
300452703900	0.2	1,572
300452701800	0.0	4,433

- The commingled Basin Fruitland Coal, Blanco Mesaverde, and Basin Dakota will have plunger lift installed. Plunger lift is capable of lifting the expected Basin Fruitland Coal, Blanco Mesaverde, and Basin Dakota water production.



Water Compatibility

Representative water samples were tested for compatibility. The commingled water is unlikely to precipitate scale. Any scale that is precipitated can effectively be treated with scale inhibitor.

The fluids from each pool are compatible and combining the fluids will not damage the pools.

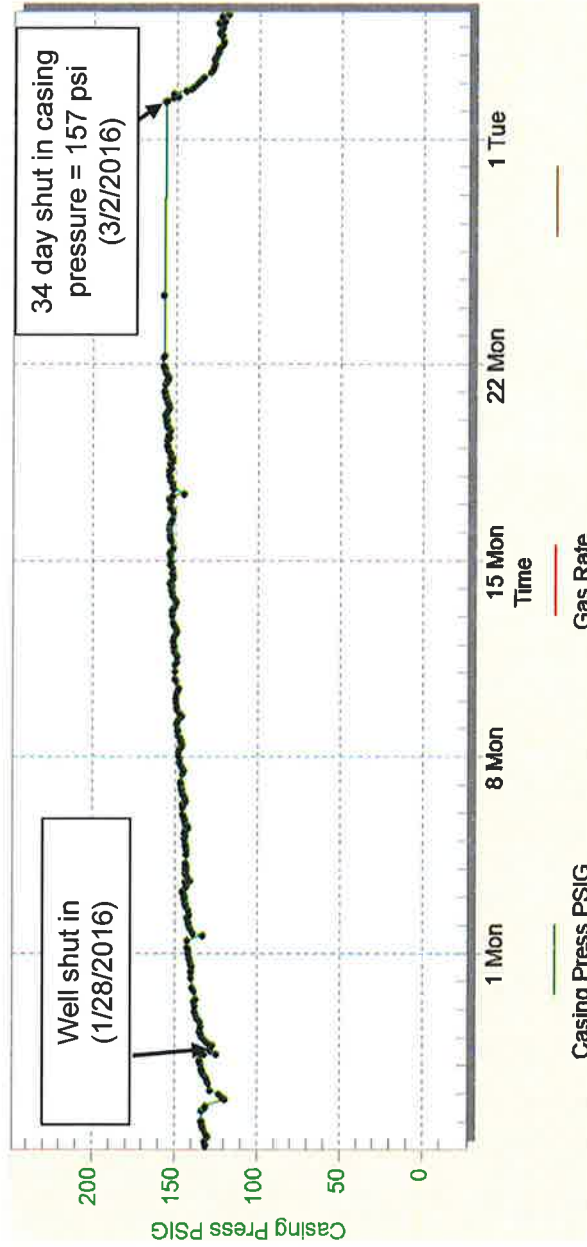
Grambling C #3B Fracture Parting Pressure



The Fruitland Coal has a fracture parting pressure = 1,797 psi

- 2,765' x 0.65 psi/ft = 1,797 psi

The maximum expected surface shut in pressure is 157 psi. This pressure will not exceed the fracture parting pressure of any commingled pools.



- Lower since producing 31 years
- Tighter → low rate of build → Decades to reach Fracture Pressure
if it ever reaches 1797 psi

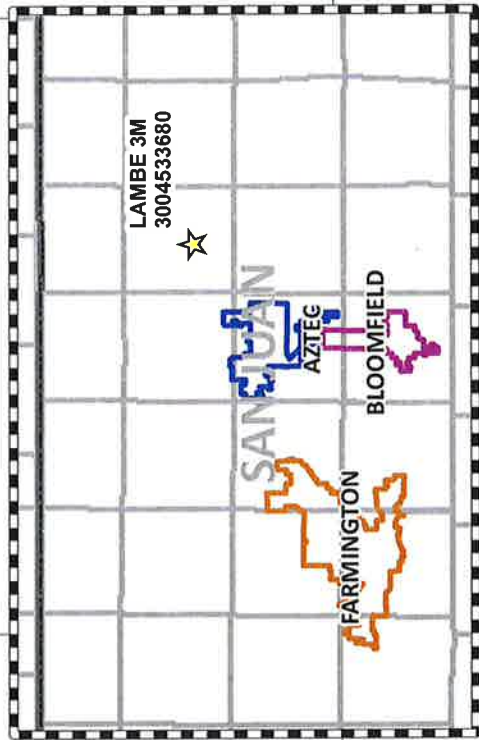
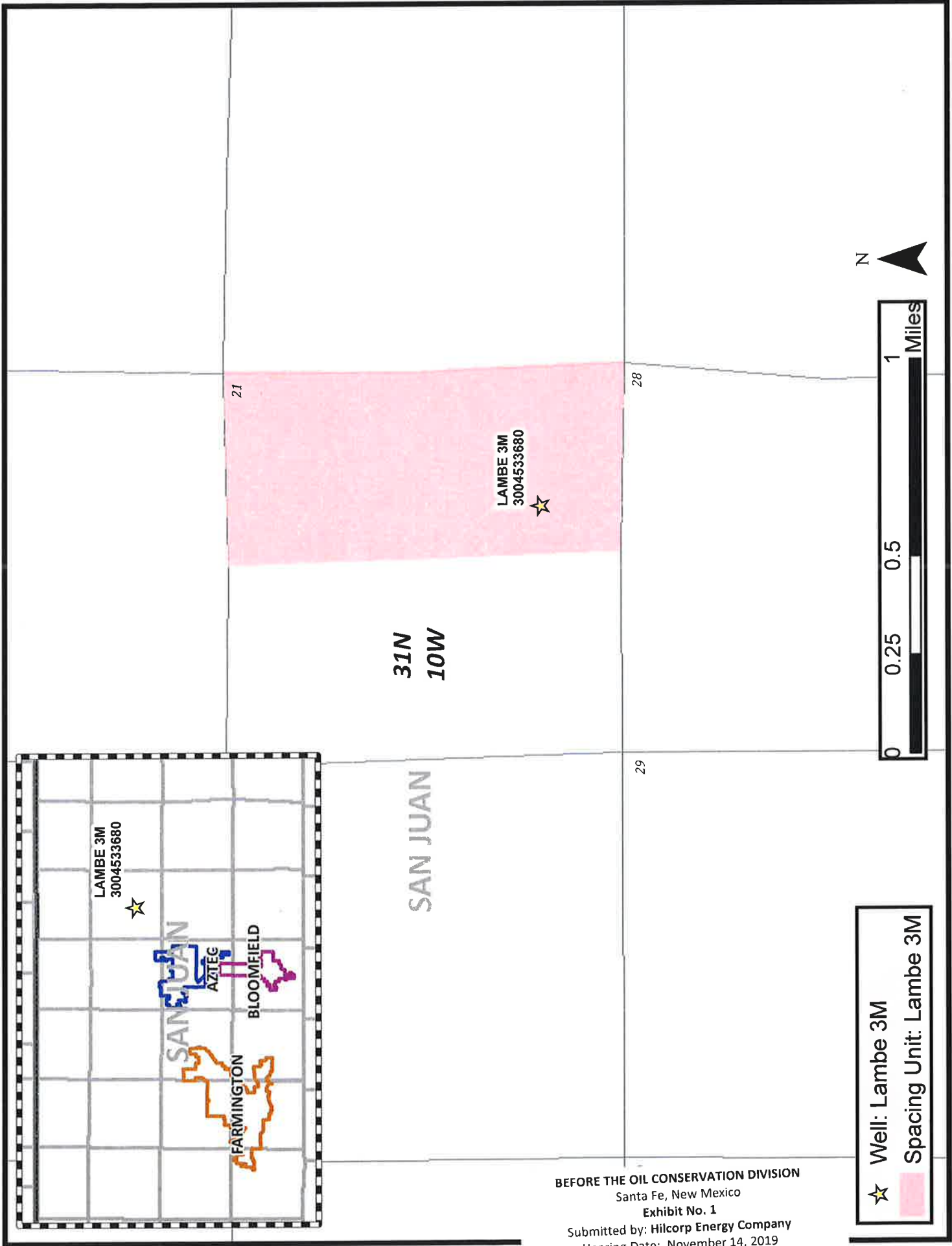
Grambling C #3B Drive Mechanisms



The production drive mechanism for the Basin Fruitland Coal is gas desorption.

The production drive mechanism for the Blanco Mesaverde and Basin Dakota is depletion drive.

These two drive mechanisms are compatible and commingling will not result in the loss of reserves. The Blanco Mesaverde and Pictured Cliffs are two depletion drive reservoirs that are frequently commingled with the gas desorption drive Basin Fruitland Coal with no negative consequences.



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 1
Submitted by: Hilcorp Energy Company
Hearing Date: November 14, 2019
Case # 20892

★ Well: Lambe 3M
Spacing Unit: Lambe 3M

RECEIVED:	REVIEWER:	TYPE:	APP NO:
-----------	-----------	-------	---------

ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND
 REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: Hilcorp Energy Company **OGRID Number:** 372171
Well Name: Lambe 3M **API:** 30-045-33680
Pool: Basin Fruitland Coal / Blanco Mesaverde / Basin Dakota **Pool Code:** 71629/72319/71599

**SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION
 INDICATED BELOW**

1) TYPE OF APPLICATION: Check those which apply for [A]

A. Location – Spacing Unit – Simultaneous Dedication

☐ NSL ☐ NSP (PROJECT AREA) ☐ NSP (PRODUCTION UNIT) ☐ SD

B. Check one only for [I] or [II]

[I] Commingling – Storage – Measurement

☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

2) NOTIFICATION REQUIRED TO: Check those which apply.

- A. ☐ Offset operators or lease holders
 B. ☒ Royalty, overriding royalty owners, revenue owners
 C. ☐ Application requires published notice
 D. ☐ Notification and/or concurrent approval by SLO
 E. ☐ Notification and/or concurrent approval by BLM
 F. ☐ Surface owner
 G. ☒ For all of the above, proof of notification or publication is attached, and/or,
 H. ☐ No notice required

FOR OCD ONLY

☐ Notice Complete
☐ Application
 Content
 Complete

- 3) CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Thomas Jacques

Print or Type Name


 Signature

8/6/2019

Date

832.839.4582

Phone Number

tjacques@hilcorp.com

e-mail Address

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2

Submitted by: **Hilcorp Energy Company**

Hearing Date: November 14, 2019

Case # 20892

District I
1625 N. French Drive, Hobbs, NM 88240

District II
811 S. First St., Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised August 1, 2011

APPLICATION TYPE
☐ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Hilcorp Energy Company Address 382 Road 3100, Aztec, NM 87410
Lease Lambe Well No. #003M Unit Letter-Section-Township-Range O 21 31N 10W County San Juan
OGRID No. 372171 Property Code 318603 API No. 3004533680 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	BASIN FRUITLAND COAL	BLANCO-MESAVERDE	BASIN DAKOTA
Pool Code	71629	72319	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2717' - 2921'	3994'-5266'	7304'-7420'
Method of Production (Flowing or Artificial Lift)	New Zone	Plunger Lift	Plunger Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	790 psi AMENDED: 150 psi See attached explanation	700 psi AMENDED: 200 psi See attached explanation	2000 psi AMENDED: 200 psi See attached explanation
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1000 BTU	1000 BTU	1000 BTU
Producing, Shut-In or New Zone	New Zone	Producing	Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: N/A Rates:	Date: 4/2019 Rates: 5 BO,3048 MCF,10 BW	Date: 4/2019 Rates: 1 BO,339 MCF,9 BW
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☐ No ☒
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☒ No ☐
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands
or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐
NMOCD Reference Case No. applicable to this well: _____

Attachments:

C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Priscilla Shorty TITLE Operations/Regulatory Technician - Sr. DATE 8/1/2019

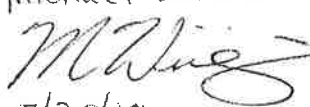
TYPE OR PRINT NAME Priscilla Shorty TELEPHONE NO. (505) 324-5188

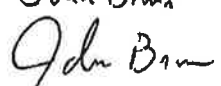
E-MAIL ADDRESS pshorty@hilcorp.com

Discussion of Pressures

Reservoir	Originally Submitted Pressure	Revised Bottom Hole Pressure
Basin Fruitland Coal	790 psi	150 psi
Blanco Mesaverde	700 psi	200 psi
Basin Dakota	2000 psi	200 psi

The pressures originally provided were calculated far-field stabilized reservoir pressures based on a moving domain material balance simulation. The near wellbore shut in bottom hole pressures of the Basin Dakota and Blanco Mesaverde are much lower than the calculated far field stabilized reservoir pressures due to the low permeability of the reservoirs. Based on pressure transient analysis performed in the San Juan Basin, it would take 7-25 years for shut in bottom hole pressures to build up to the calculated far-field reservoir pressure. Our observation is that even for areas of high static reservoir pressure, the low permeability of the reservoir rock results in rapid depletion of the near-fracture region, quickly enough that the wells are unable produce without the aid of a plunger. Given low permeabilities and low wellbore flowing pressures in the Basin Dakota, Blanco Mesaverde, and Basin Fruitland Coal, loss of reserves due to cross-flow is not an issue during producing or shut-in periods. Given low shut-in bottom hole pressures, commingling the Basin Dakota, Blanco Mesaverde, and Basin Fruitland Coal in this well will not result in shut-in or flowing wellbore pressures in excess of any commingled pool's fracture parting pressure. The pressures provided on the revised C-107A are based on shut in bottom hole pressures of a Basin Dakota / Blanco Mesaverde well in the same section as the Lambe #3M and are representative of the expected near-wellbore shut in bottom hole pressures of the Basin Dakota and Blanco Mesaverde in the Lambe #3M. The pressure provided for the Basin Fruitland Coal is the expected near-wellbore shut in bottom hole pressure based on offset Basin Fruitland Coal recompletes.

Hilcorp
San Juan
Ops Engineer
Michael WISSING

7/30/19

Hilcorp
San Juan
Reservoir Engineer
John Brann

7/30/19

Historical Production

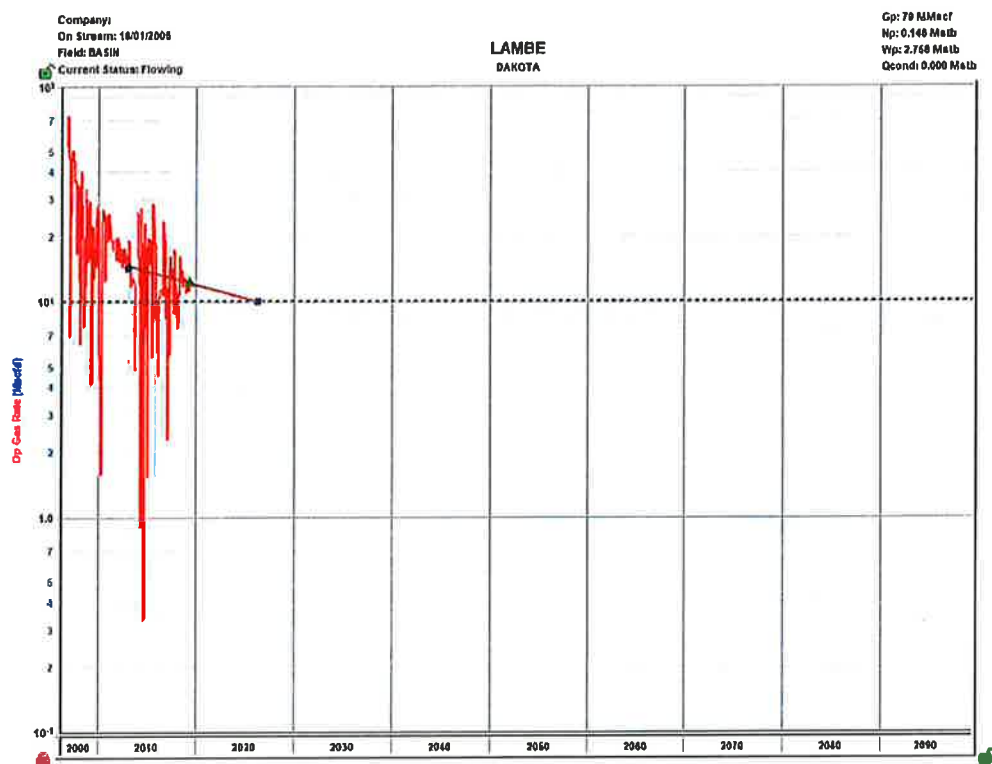
Basin Dakota

	Oil (BBLs)	Gas (MCF)	Water (BBLs)
Dec-18	0	380	10
Jan-19	0	343	10
Feb-19	1	341	9
Mar-19	1	375	10
Apr-19	1	339	9
May-19	1	305	10

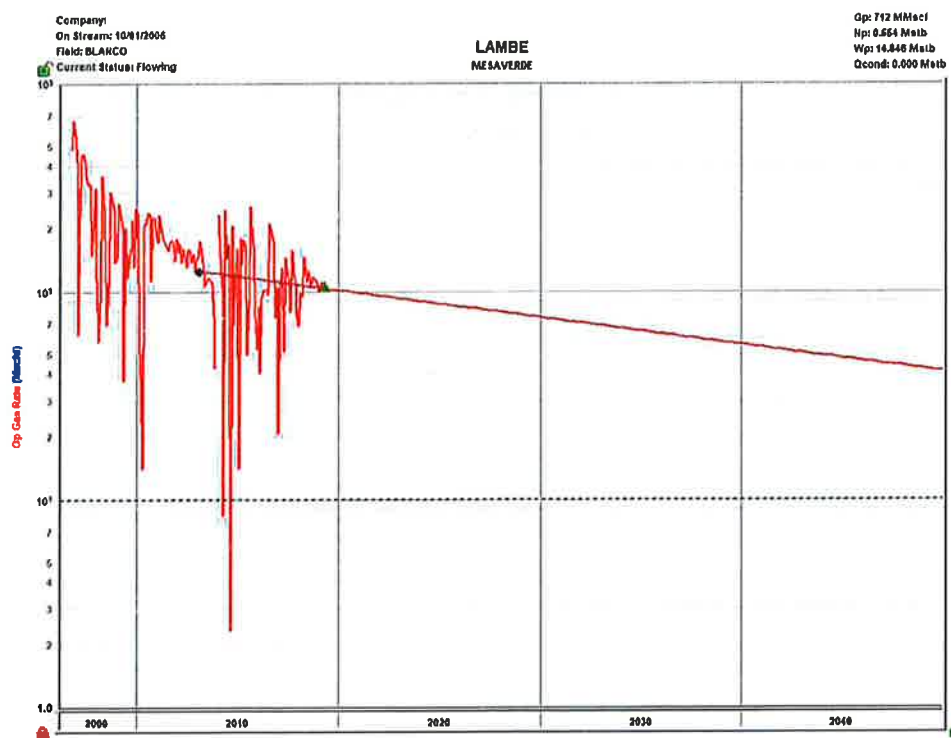
Blanco Mesaverde

	Oil (BBLs)	Gas (MCF)	Water (BBLs)
Dec-18	5	3421	10
Jan-19	1	3087	10
Feb-19	11	3070	9
Mar-19	6	3380	10
Apr-19	5	3048	10
May-19	7	2751	10

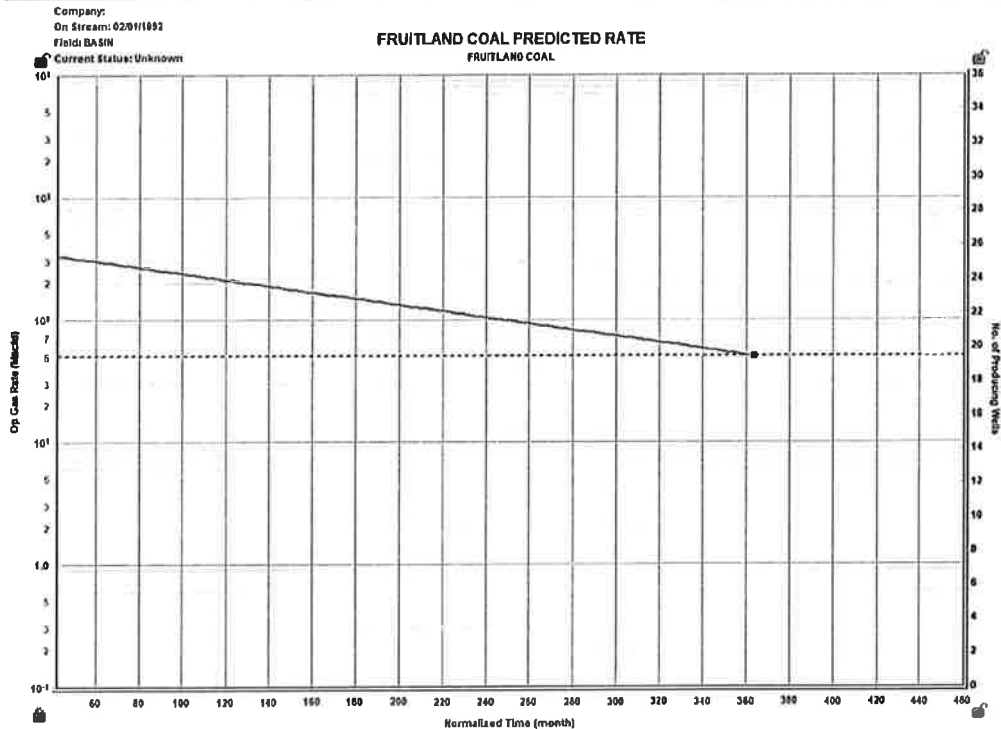
Lambe #3M Basin Dakota Forecast



Lambe #3M Blanco-Mesaverde Forecast



Lambe #3M Predicted Basin Fruitland Coal Forecast



The Lambe #3M predicted Basin Fruitland Coal rate is based on type well and volumetric analysis of offset Basin Fruitland Coal producers. The reservoir fluids of the commingled completions are compatible.

Production Allocation Methods

Hilcorp requests that production for the downhole commingle be allocated using the subtraction method. The base formations are the Basin Dakota and Blanco-Mesaverde and the added formation to be commingled is the Basin Fruitland Coal. The subtraction method applies an average monthly production forecast to the base formation(s) using historic production. All production from this well exceeding the forecast will be allocated to the new formation(s). A fixed percentage based allocation will be submitted after the fourth year of production. See attached documents for production forecast. The Basin Fruitland Coal will not produce oil. All oil produced will be allocated to the Blanco-Mesaverde and Basin Dakota using the current oil allocation.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.*5. Lease Serial No.
NMSF078285
6. If Indian, Allottee or Tribe Name
7. If Unit or CA/Agreement, Name and/or No.**SUBMIT IN TRIPLICATE - Other instructions on page 2**

1. Type of Well ☐ Oil Well ☒ Gas Well ☐ Other	8. Well Name and No. LAMBE 3M
2. Name of Operator HILCORP ENERGY COMPANY Contact: PRISCILLA SHORTY E-Mail: pshorty@hilcorp.com	9. API Well No. 30-045-33680
3a. Address 382 ROAD 3100 AZTEC, NM 87410	10. Field and Pool or Exploratory Area BLANCO MV/BASIN DK
3b. Phone No. (include area code) Ph: 505-324-5188	11. County or Parish, State SAN JUAN COUNTY, NM
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 21 T31N R10W Mer NMP SWSE 1110FSL 1885FEL	

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Hydraulic Fracturing	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☒ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

Hilcorp Energy Company requests permission to recompleat the subject well in the Fruitland Coal and downhole trimingle with the existing Mesaverde and Dakota formations. Attached is the procedure, wellbore diagram, plat, and gas capture plan. A DHC application will be filed and approved prior to commingling. A closed loop system will be used. Interim reclamation will be performed after surface disturbing activities.

14. I hereby certify that the foregoing is true and correct. Electronic Submission #474453 verified by the BLM Well Information System For HILCORP ENERGY COMPANY, sent to the Farmington	
Name (Printed/Typed) PRISCILLA SHORTY	Title OPERATIONS REGULATORY TECH
Signature (Electronic Submission)	Date 07/22/2019

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By _____	Title _____	Date _____
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		Office _____

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****



HILCORP ENERGY COMPANY
LAMBE 3M

Proposed Schematic

LAMBE 3M - CURRENT WELLBORE SCHEMATIC



Well Name: LAMBE #3M

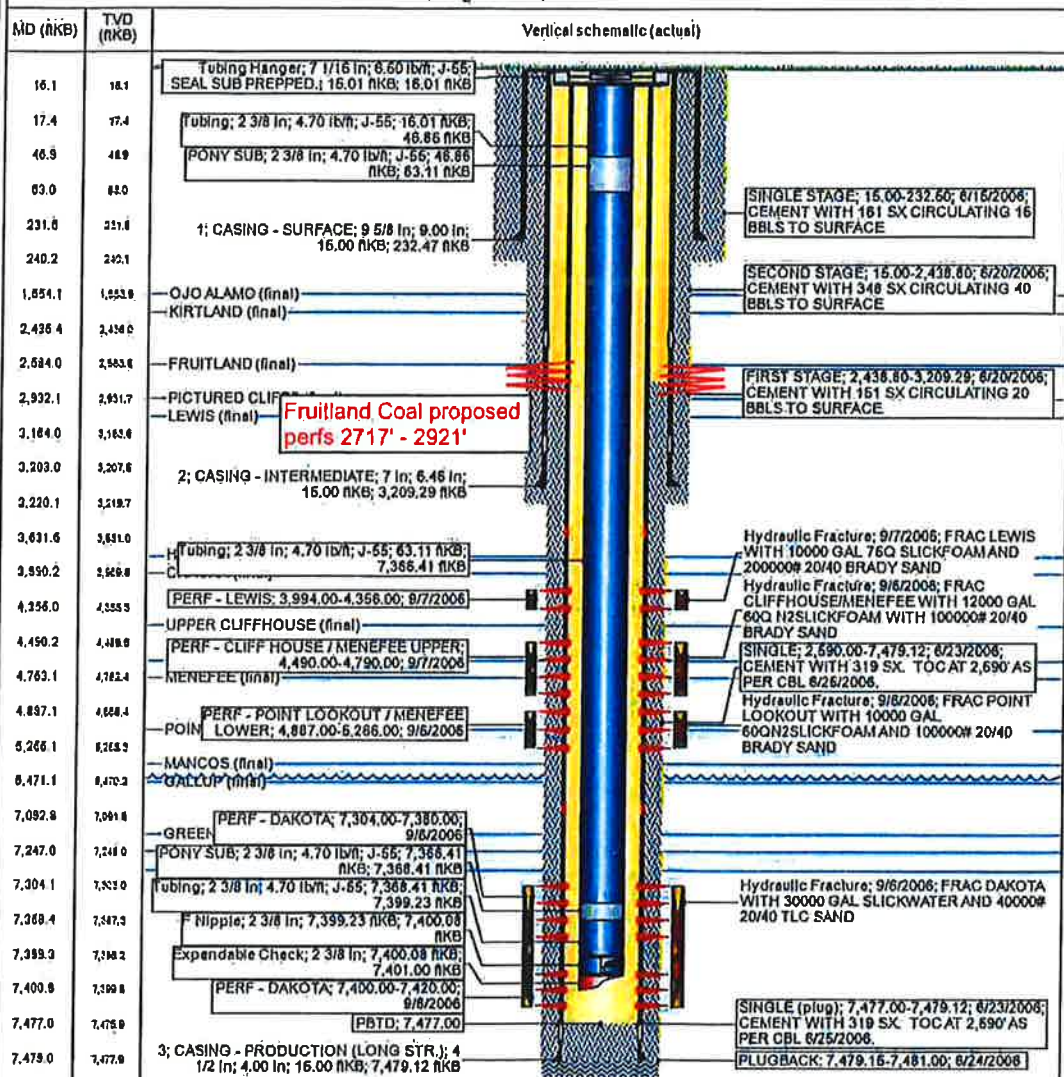
API/UAH 3004533680	Drilling Location 021-031N-010W-O	Field Name BLANCETERRACE PACIFIED ON	Uplift No. 1	State/Province NEW MEXICO	Well Configuration Type VERTICAL
Original Depth (ft) 6,210.00	Current Depth (ft) 15.00	Original Spud Date 6/13/2008 23:00	1st Read Date 9/16/2008 12:00	2nd Read Date Original Hole - 7,477.0	3rd Read Date Original Hole - 7,477.0

Most Recent Job

Job Category WELL INTERVENTION	Primary Job Type TUBING REPAIR	Secondary Job Type TUBING REPAIR	Actual Start Date 8/11/2014	End Date 8/14/2014
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ID: 7,481.0

VERTICAL, Original Hole, 7/12/2019 11:41:56 AM





HILCORP ENERGY COMPANY
LAMBE 3M
FRUITLAND COAL RECOMPLETION SUNDRY

LAMBE 3M - CURRENT WELLBORE SCHEMATIC



Hilcorp Energy Company

Schematic - Current

Well Name: LAMBE #3M

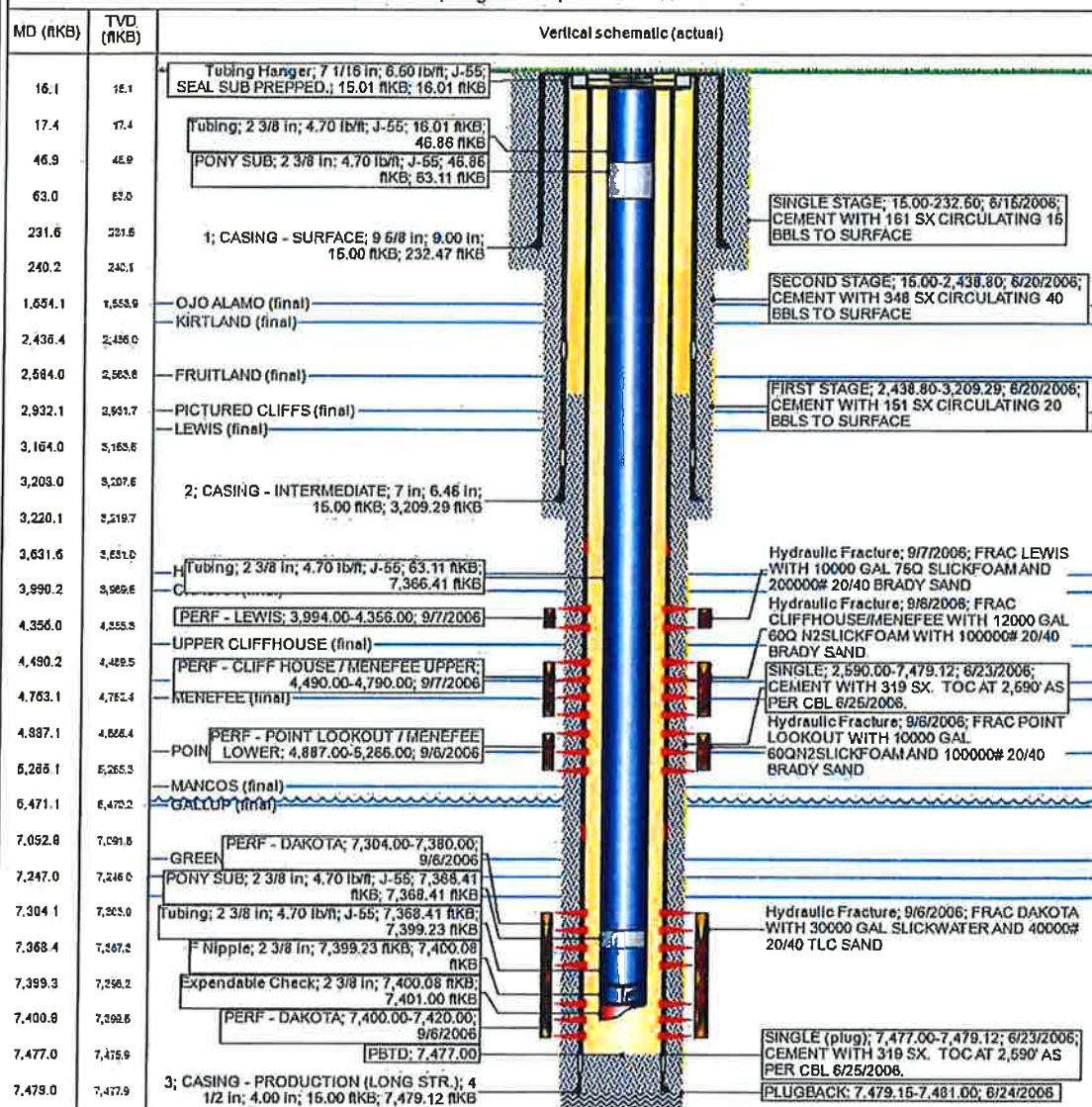
API Well 3004633680	Surface Legal Location 021-031N-010W-O	Field Name BLANCO MESA RECOMPLETION	License No.	State/Province NEW MEXICO	Well Configuration Type VERTICAL
Original Well MT Elevation (ft) 6,210.00	Original Distance (ft) 15.00	Original Spd Date 6/13/2006 23:00	Original Date 9/16/2006 12:00	Original Hole - 7,477.0	True Depth At (TVD) (ft)

Most Recent Job

Job Category WELL INTERVENTION	Primary Job Type TUBING REPAIR	Secondary Job Type TUBING REPAIR	Actual Start Date 8/1/2014	End Date 8/14/2014
-----------------------------------	-----------------------------------	-------------------------------------	-------------------------------	-----------------------

ID: 7,481.0

VERTICAL, Original Hole, 7/12/2019 11:41:56 AM



District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural
Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102

August 1, 2011

Permit 269995

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-045-33680	2. Pool Code 71629	3. Pool Name BASIN FRUITLAND COAL (GAS)
4. Property Code 318603	5. Property Name LAMBE	6. Well No. 003M
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6188

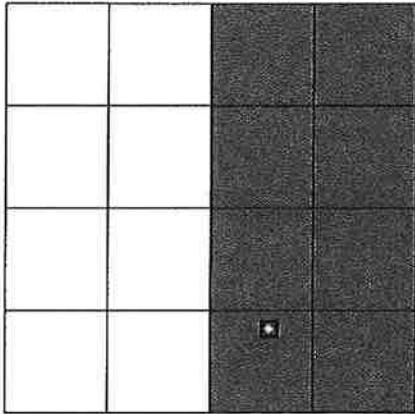
10. Surface Location

UL - Lot O	Section 21	Township 31N	Range 10W	Lot Idn 15	Feet From 1110	N/S Line S	Feet From 1885	E/W Line E	County SAN JUAN
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 310.38				13. Joint or Infill	14. Consolidation Code	15. Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> E-Signed By: <i>Priscilla Shorty</i> Title: Operations Regulatory Tech - Sr. Date: 07/18/2019 SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> Surveyed By: Jason Edwards Date of Survey: 2/6/2006 Certificate Number: 15269
---	--

District II
PO Drawer 00, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

2088 MAR 31 PM 2.53 AMENDED REPORT

RECEIVED

WELL LOCATION AND ACREAGE DEDICATION PLAT 11 PM

*API Number 30-045-- 33680		*Pool Code 72319 / 71599	*Pool Name Blanco Mesaverde / Basin Dakota
*Property Code 28917 ✓	*Property Name LAMBE		*Well Number 3M ✓
*OGRID No. 14538 ✓	*Operator Name BURLINGTON RESOURCES OIL & GAS COMPANY, LP		*Elevation 6188' ✓

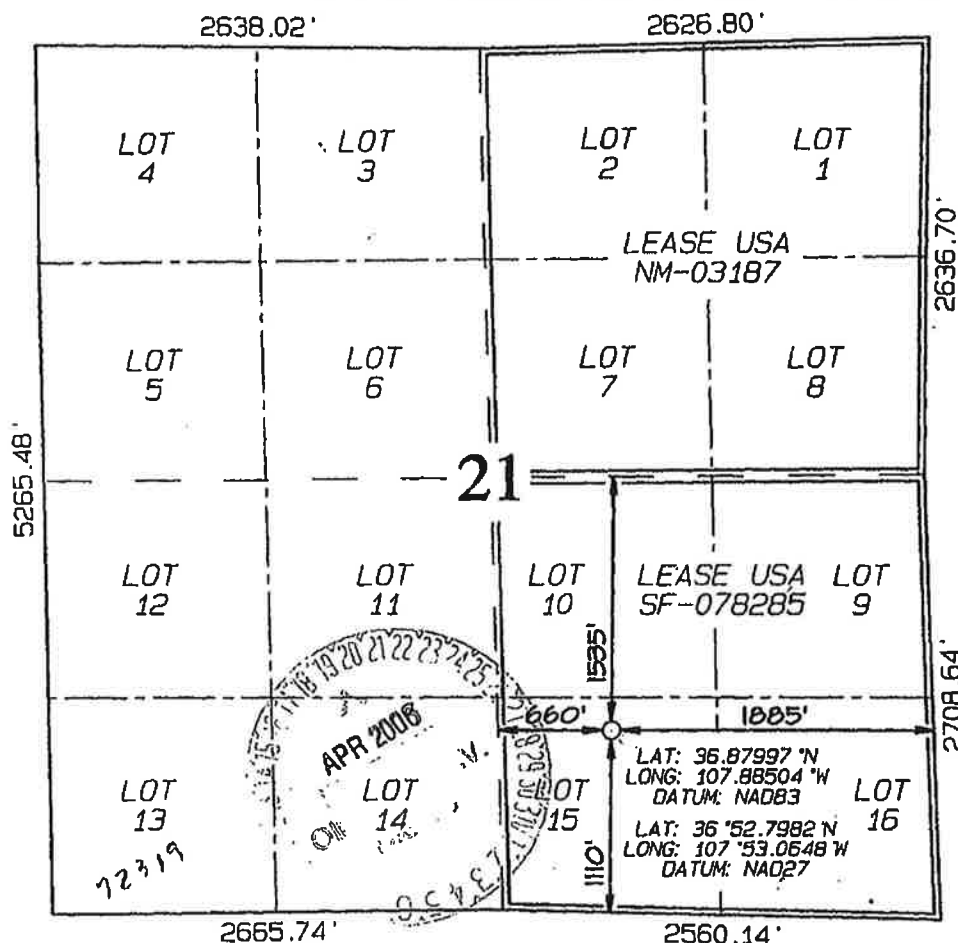
10 Surface Location

UL or lot no.	Section	Township	Range	Lot - 1st	Feet from the	North/South line	Feet from the	East/West line	County
0	21	31N	10W	15	1110	SOUTH	1885	EAST	SAN JUAN

¹¹Bottom Hole Location If Different From Surface[illegible]

¹² Dedicated Acres MV/DK 310.38 ac E2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
---	-------------------------------	----------------------------------	-------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

I hereby certify that the information
contained herein is true and complete
to the best of my knowledge and belief

Signature Doni Clark

Jonj. Clark

Printed Name

Sr. Regulatory Specialist

Title

3/16/2006

Date _____

¹⁸ SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Survey Date: FEBRUARY 6, 2006

Signature and Seal of Professional Surveyor



JASON C. EDWARDS

Certificate Number 15269



July 23, 2019

To: ALL INTEREST OWNERS

RE: Notice to Recomplete & Downhole Commingle
Lambe 003M (Blanco Mesaverde/Basin Dakota/Basin Fruitland Coal)
Section 21, Township 31 North – Range 10 West NMPM
API: 30-045-33680
San Juan County, New Mexico

Ladies and Gentlemen:

Hilcorp San Juan, L.P., a subsidiary of Hilcorp Energy Company (“Hilcorp”) and Operator of the referenced well, recently acquired the assets of Burlington Resources Oil & Gas Company, LP throughout the San Juan Basin, including leases, wells and other facilities. As successor operator, we are actively evaluating various development strategies to extend the productive life of the basin. Our initial efforts are focused on returning existing wells to production and adding additional gas pay through downhole commingling.

In the subject well, Hilcorp plans to downhole commingle existing pay from the Blanco Mesaverde and Basin Dakota formation with potential pay from the Basin Fruitland Coal formation. As a good faith effort to adhere to the notification requirements outlined in Subsection C of 19.15.12.11 New Mexico Administrative Code, this letter serves as notification of Hilcorp’s intent to downhole commingle and includes a copy of the C-107-A for your reference.

No action is required by you nor must you sign/return any paperwork unless you object to this notification.

Should you have an objection, you are required to send notice within twenty (20) days from the date of this letter. Your objection should reference the well details provided above. Please mail your objection to the following address: Hilcorp Energy Company, Attn: Rob Carlson, 1111 Travis, Houston, TX 77002. Separately, please email me a copy of your objection letter to ensure receipt and call me to discuss any particular concerns you have using the contact information below. Should we be unable to overcome your concerns, the matter will be set for hearing with the New Mexico Oil & Conservation Division in Santa Fe, NM.

If your ownership interest in the Subject Well has recently changed (i.e., new burdens created or you have sold or transferred your interest) please contact Hilcorp immediately to update your file.

Hilcorp appreciates this opportunity to enhance production from the Subject Well and we are thankful for your support.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R Carlson', is written over a horizontal line.

Robert Carlson
Landman
(832) 839-4596
rcarlson@hilcorp.com

RTC:dkp
Enclosures

Certified Number	Sender	Recipient	Date Mailed	Delivery Status
92148969009997901777701371	Dani Papetti	OFFICE OF NATURAL RESOURCES REVENUE, LAKEWOOD ACCTG CENT - ONSHORE P O BOX 25627, DENVER, CO, 80225-0627 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 4-Aug-19 Signature Pending
92148969009997901777701388	Dani Papetti	EMILY JANICE LEACH, DBA EJI OIL and GAS COMPANY LLC PO BOX 52198, ALBUQUERQUE, NM, 87181 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Facility 5-Aug-19 Signature Pending
92148969009997901777701395	Dani Papetti	R R HINKLE COMPANY INC, PO BOX 2292, ROSWELL, NM, 88202-2292 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 4-Aug-19 Signature Pending
92148969009997901777701401	Dani Papetti	PATRICIA PARKER LIFE ESTATE, 3900 CAPRICORN CT, PLANO, TX, 75023-1112 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 4-Aug-19 Signature Pending
92148969009997901777701418	Dani Papetti	TED E DUFF TRUST, TED E DUFF TRUSTEE PO BOX 398, RUIDOSO, NM, 88355-0398 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 4-Aug-19 Signature Pending
92148969009997901777701425	Dani Papetti	COMPOUND PROPERTIES LLC, PO BOX 2990, RUIDOSO, NM, 88355-2990 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 4-Aug-19 Signature Pending
92148969009997901777701432	Dani Papetti	JEREMIAH C DUFF-LEACH, DBA JCDL OIL and GAS COMPANY LLC PO BOX 30396, ALBUQUERQUE, NM, 87190 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Facility 5-Aug-19 Signature Pending
92148969009997901777701449	Dani Papetti	TIERRA OIL COMPANY LLC, PO BOX 700968, SAN ANTONIO, TX, 78270-0968 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 4-Aug-19 Signature Pending
92148969009997901777701456	Dani Papetti	MARK MCCLELLAN AND PAULA MCCLELLAN, PO BOX 730, ROSWELL, NM, 88202 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 4-Aug-19 Signature Pending
92148969009997901777701463	Dani Papetti	JACK AUSTIN RICHARDSON, PO BOX 20100, ALBUQUERQUE, NM, 87154 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Destination Facility 5-Aug-19 Signature Pending
92148969009997901777701470	Dani Papetti	JOHN MICHAEL AND MARION RICHARDSON, JTWROS 3660 HIGHWAY 41, STANLEY, NM, 87056 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Facility 5-Aug-19 Signature Pending
92148969009997901777701487	Dani Papetti	GUADALUPE LAND and MINERALS LLC, 17521 ARRATIA, EL PASO, TX, 79938 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 4-Aug-19 Signature Pending
92148969009997901777701494	Dani Papetti	SPINNAKER INVESTMENTS LP, PO BOX 3488, MIDLAND, TX, 79702 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 5-Aug-19 Signature Pending
92148969009997901777701500	Dani Papetti	ESCONDIDO OIL and GAS LLC, PO BOX 51390, MIDLAND, TX, 79710 Code: LAMBE 3M DHC	8/2/2019	Departed USPS Regional Destination Facility 5-Aug-19 Signature Pending

LAMBE 3M NOTICE PARTIES

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

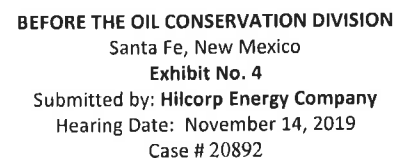
Exhibit No. 3

Submitted by: Hilcorp Energy Company

Hearing Date: November 14, 2019

Case # 20892

Code	Name	Address	City	State	Zip Code	Interest	FORMATION
1142413	A COURTNEY MCCORD	3105 BRYN MAWR	DALLAS	TX	75225	ORR01	MV
1143011	ALCY M WILKIE	1450 PINE AVE	WEATHERFORD	OK	73096	ORR01	MV
1140897	BERNARD LEE HOUSE JR	PO BOX 51707	MIDLAND	TX	79710	ORR01	MV
1146414	CASA GRANDE ROYALTY CO INC	PO BOX 818	KEMAH	TX	77565	ORR01	MV
1144603	COMPOUND PROPERTIES LLC	PO BOX 2990	RUIDOSO	NM	88355-2990	BOR01	DK_FC
1143010	CRAIG M WILKIE	129 JACKSON ST	PUEBLO	CO	81004	ORR01	MV
1142848	DAVID GEORGE SWERER	1839 COUNTY ROAD 111	FLORISSANT	CO	80816	ORR01	MV
1151640	DGD MINERALS LTD	PO BOX 50889	JACKSONVILLE	FL	32240	ORR01	MV
1141012	EMILY JANICE LEACH	DBA EIJL OIL & GAS COMPANY LLC PO BOX 52198	ALBUQUERQUE	NM	87181	BOR01	DK_FC
1159404	ESCONDIDO OIL & GAS LLC	PO BOX 395	ROANOKE	TX	76262	BOR01	DK_FC
1159402	GUADALUPE LAND & MINERALS LLC	17521 ARRATIA	EL PASO	TX	79938	BOR01	DK_FC
1142414	HANCELM MCCORD JR	201 POR LA MAR CIRCLE	SANTA	CA	93103	ORR01	MV
1120855	HAYMAKER HOLDING COMPANY LLC	PO BOX 205415	DALLAS	TX	75320-5415	ORR01	MV
1141228	HEATHER LOUISE PENCE	7510 XAVIER ST	WESTMINSTER	CO	80030	ORR01	MV
300	Hilcorp San Juan, LP	1111 TRAVIS	HOUSTON	TX	77002	BCW01	DK_FC_MV
1159400	JACK AUSTIN RICHARDSON	PO BOX 20100	ALBUQUERQUE	NM	87154	BOR01	DK_FC
1146494	JEREMIAH C DUFF-LEACH	DBA JCDL OIL & GAS COMPANY LLC PO BOX 30396	ALBUQUERQUE	NM	87190	BOR01	DK_FC
1144880	JOAN D JOHNSTON	4400 COVECREST DR	SALT LAKE CITY	UT	84124	ORR01	DK_FC
1159401	JOHN MICHAEL AND MARION RICHARDSON	JTWROS	STANLEY	NM	87056	BOR01	MV
1142614	KATHRYN A PALMER	3660 HIGHWAY 41	ESCONDIDO	CA	92026	ORR01	DK_FC
1146706	LEE PORTER	2130 W EL NORTE PKWY	LINCOLN	CA	95648	ORR01	MV
1157951	MARK MCCLELLAN & WIFE PAULA MCCLELL	1308 PICKET FENCE LN	ROSWELL	NM	88202	BOR01	DK_FC
1141284	MARK STEPHEN REESE	PO BOX 730	PEACHTREE	GA	30269	ORR01	MV
1141181	MARTHA J OAKES	1749 HOYT	CITY	CO	80215	ORR01	MV
1029016	OFFICE OF NATURAL RESOURCES REVENUE	LAKEWOOD ACCTG CENT ONSHORE P O BOX 25627	LAKEWOOD DENVER	CO	80225-0627	BFD01	MV
1142629	PATRICIA PARKER	LIFE ESTATE	PLANO	TX	75023-1112	BOR01	DK_FC_MV
1140418	PATRICIA R ALLER	3900 CAPRICORN CT	NEW YORK	NY	10023-5608	ORR01	DK_FC
1144728	PATRICIA SWERER GARFIELD	160 W END AVE 14B	DENVER	CO	80220	ORR01	MV
1142154	R R HINKLE COMPANY INC	355 EUDORA ST	ROSWELL	NM	88202-2292	BOR01	DK_FC
1140686	RONALD S DAVIS	PO BOX 2292	SAN ANTONIO	TX	78209	ORR01	MV
1159403	SPINNAKER INVESTMENTS LP	12 GLENDA LOUGH CT	MIDLAND	TX	79702	BOR01	DK_FC
1141005	SUSAN TRACY SWERER KURTZ	PO BOX 3488	DENVER	CO	80210	ORR01	MV
1143376	TED E DUFF TRUST	2719 S MILWAUKEE DR TED E DUFF TRUSTEE PO BOX 398	RUIDOSO	NM	88355-0398	BOR01	DK_FC
1144116	THOMAS F SCANLAN	1654 VIEW WAY	EL CAJON	CA	92020	ORR01	MV
1150468	TIERRA OIL COMPANY LLC	PO BOX 700968	SAN ANTONIO	TX	78270-0968	BOR01	DK_FC
1160625	WILDERPAN LLC	PO BOX 50088	MIDLAND	TX	79710	ORR01	MV
1143009	WILKIE & CO LLP	11388 W 73RD AVE	ARVADA	CO	80005	ORR01	MV



HOLLAND & HART LLP



Adam G. Rankin
Phone (505) 988-4421
Fax (505) 983-6043
agrarkin@hollandhart.com

October 25, 2019

VIA CERTIFIED MAIL
CERTIFIED RECEIPT REQUESTED

TO: INTEREST OWNERS

**Re: Application of Hilcorp Energy Company for Downhole Commingling in its
Lambe 003M Well, San Juan County, New Mexico.**

Ladies & Gentlemen:

This letter is to advise you that Hilcorp Energy Company has filed the enclosed application with the New Mexico Oil Conservation Division. A hearing has been requested before a Division Examiner on November 14, 2019 and the status of the hearing can be monitored through the Division's website at <http://www.emnrd.state.nm.us/ocd/>. Division hearings will commence at 8:15 a.m. in Porter Hall at the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 19.15.4.13.B to file a Pre-hearing Statement four business days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions about this matter, please contact Rob Carlson at (832) 839-4596.

Sincerely,

Adam G. Rankin

ATTORNEY FOR HILCORP ENERGY COMPANY

HEC - Lambe 003M
Case No. 20892 Postal Delivery Report

Tracking Number	Recipient	Status
9214890194038396654551	A Courtney McCord 3105 Bryn Mawr Dallas TX 75225	In-Transit
9214890194038396654558	Alyc M Wilkie 1450 Pine Ave Weatherford OK 73096	Delivered Signature Received
9214890194038396654575	Bernard Lee House Jr PO BOX 51707 Midland TX 79710	Delivered Signature Received
9214890194038396654582	Casa Grande Royalty Co Inc PO BOX 818 Kemah TX 77565	Delivered Signature Received
9214890194038396654599	Compound Properties LLC PO BOX 2990 Ruidoso NM 88355-2990	Delivered Signature Received
9214890194038396654605	Craig M Wilkie 129 Jackson St Pueblo CO 81004	Delivered Signature Received
9214890194038396654612	David George Swerer 1839 County Road 111 Florissant CO 80816	In-Transit
9214890194038396654629	DGD Minerals LTD PO BOX 50889 Jacksonville Beach FL 32240	In-Transit
9214890194038396654636	Emily Janice Leach DBA EIL Oil & Gas Company LLC PO BOX 52198 Albuquerque NM 87181	Delivered Signature Received
9214890194038396654643	Escondido Oil & Gas LLC PO BOX 395 Roanoke TX 76262	Delivered Signature Received
9214890194038396654650	Guadalupe Land & Minerals LLC 17521 Arratia El Paso TX 79938	In-Transit
9214890194038396654667	Hancel M McCord Jr 201 Por La Mar Circle Santa Barbara CA 93103	In-Transit
9214890194038396654674	Haymaker Holding Company LLC PO BOX 205415 Dallas TX 75320-5415	In-Transit
9214890194038396654681	Heather Louise Pence 7510 Xavier St Westminster CO 80030	In-Transit
9214890194038396654698	Hilcorp San Juan LP 1111 Travis Houston TX 77002	Delivered Signature Received
9214890194038396654704	Jack Austin Richardson PO BOX 20100 Albuquerque NM 87154	Delivered Signature Received
9214890194038396654711	Jeremiah C Duff-Leach DBA JCDL Oil & Gas Company LLC PO BOX 30396 Albuquerque NM 87190	Delivered Signature Received
9214890194038396654728	Joan D Johnston 4400 Covecrest Dr Salt Lake City UT 84124	Delivered Signature Received
9214890194038396654735	John Michael And Marion Richardson JTWROS 3660 Highway 41 Stanley NM 87056	Delivered Signature Received
9214890194038396654742	Kathryn A Palmer 2130 W El Norte PKWY Escondido CA 92026	Delivered Signature Received
9214890194038396654759	Lee Porter 1308 Picket Fence Ln Lincoln CA 95648	In-Transit
9214890194038396654766	Mark McClellan & Wife Paula McClellan PO BOX 730 Roswell NM 88202	Delivered Signature Received
9214890194038396654773	Mark Stephen Reese 209 Albemarle Ln Peachtree City GA 30269	In-Transit
9214890194038396654780	Martha J Oakes 1749 Hoyt Lakewood CO 80215	Delivered Signature Received
9214890194038396654797	Office Of Natural Resources Revenue Lakewood ACCTG Cent Onshore PO BOX 25627 Denver CO 80225-0627	Delivered Signature Received
9214890194038396654803	Patricia Parker Life Estate 3900 Capricorn Ct Plano TX 75023-1112	Delivered Signature Received
9214890194038396654810	Patricia R Aller 160 W End Ave 148 New York NY 10023-5608	Delivered Signature Received
9214890194038396654827	Patricia Swerer Garfield 355 Eudora St Denver CO 80220	Delivered Signature Received
9214890194038396654834	R R Hinkle Company Inc PO BOX 2292 Roswell NM 88202-2292	Delivered Signature Received
9214890194038396654841	Ronald S Davis 12 Glendalough Ct San Antonio TX 78209	Delivered Signature Received
9214890194038396654858	Spinnaker Investments LP PO BOX 3488 Midland TX 79702	Delivered Signature Received
9214890194038396654865	Susan Tracy Swerer Kurtz 2719 S Milwaukee Dr Denver CO 80210	Delivered Signature Received
9214890194038396654872	Ted E Duff Trust Ted E Duff Trustee PO BOX 398 Ruidoso NM 88355-0398	Delivered Signature Received
9214890194038396654889	Thomas F Scanlan 1654 View Way El Cajon CA 92020	Delivered Signature Received
9214890194038396654896	Tierra Oil Company LLC PO BOX 700968 San Antonio TX 78270-0968	Delivered Signature Received
9214890194038396654902	Wilderpan LLC PO BOX 50088 Midland TX 79710	Delivered Signature Received
9214890194038396654919	Wilkie & CO LLP 11388 W 73rd Ave Arvada CO 80005	Delivered Signature Received



$5.75 \times 37 = \$212.75$

Shipment Confirmation Acceptance Notice

A. Mailer Action

Note to Mailer: The labels and volume associated to this form online, **must** match the labeled packages being presented to the USPS® employee with this form.

HEC - Lambe 003M
Case No. 20892
CM# 93904.0003

Shipment Date: 10/24/2019

Shipped From:

Name: HOLLAND & HART LLP

Address: 110 N GUADALUPE ST # 1

City: SANTA FE

State: NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	37
Total	37

*Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

B. USPS Action

Note to RSS Clerk:

1. Home screen > Mailing/Shipping > More
2. Select Shipment Confirm
3. Scan or enter the barcode/label number from PS Form 5630
4. Confirm the volume count message by selecting Yes or No
5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail.
Leave form with customer or in customer's mail receptacle.

USPS SCAN AT ACCEPTANCE



9275 0901 1935 6200 0017 9402 20





Firm Mailing Book For Accountable Mail

Name and Address of Sender		Check type of mail or service		Affix Stamp Here (if issued as an international certificate of mailing or for additional copies of this receipt). Postmark with Date of Receipt.													
USPS Tracking/Article Number		Addressee (Name, Street, City, State, & ZIP Code™)		Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender If COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
1.	9214 8901 9403 8396 6545 51	A Courtney McCord 3105 Bryn Mawr Dallas TX 75225		0.65	3.50	Handling Charge - if Registered and over \$50,000 in value							1.60				
2.	9214 8901 9403 8396 6545 68	Aloy M Winkle 1450 Pine Ave Weatherford OK 73096		0.65	3.50									1.60			
3.	9214 8901 9403 8396 6545 75	Bernard Lee House Jr PO BOX 51707 Midland TX 79710		0.65	3.50									1.60			
4.	9214 8901 9403 8396 6545 82	Casa Grande Realty Co Inc PO BOX 816 Kemah TX 77565		0.65	3.50									1.60			
5.	9214 8901 9403 8396 6545 99	Compound Properties LLC PO BOX 2890 Ruidoso NM 88355-2890		0.65	3.50									1.60			
6.	9214 8901 9403 8396 6546 05	Craig M Winkle 129 Jackson St Pueblo CO 81004		0.65	3.50									1.60			
7.	9214 8901 9403 8396 6546 12	David George Swerter 1839 County Road 111 Florissant CO 80816		0.65	3.50									1.60			
8.	9214 8901 9403 8396 6546 29	DGD Minerals LTO PO BOX 50859 Jacksonville Beach FL 32240		0.65	3.50									1.60			
Total Number of Pieces Listed by Sender 37		Total Number of Pieces Received at Post Office		Postmaster, Per (Name of receiving employee)													



Firm Mailing Book For Accountable Mail

Name and Address of Sender Holland & Hart LLP 110 N Guadalupe St # 1 Santa Fe NM 87501		Check type of mail or service ☐ Adult Signature Required ☐ Priority Mail Express ☐ Adult Signature Restricted Delivery ☐ Registered Mail ☒ Certified Mail ☐ Return Receipt for Merchandise ☐ Certified Mail Restricted Delivery ☐ Signature Confirmation ☐ Collect on Delivery (COD) ☐ Signature Confirmation Restricted Delivery ☐ Insured Mail ☐ Signature Confirmation Restricted Delivery ☐ Priority Mail		Affix Stamp Here (if issued as an international certificate of mailing or for additional copies of this receipt). Postmark with Date of Receipt.												
USPS Tracking/Article Number	Addressee (Name, Street, City, State, & ZIP Code™)	Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee		
9. 9214 8901 9403 8396 6546 36	Emily Janice Leach DBA EJK Oil & Gas Company LLC PO BOX 52188 Albuquerque NM 87181	0.65	3.50	Handling Charge - if Registered and over \$50,000 in value							1.60					
10. 9214 8901 9403 8396 6546 43	Escondido Oil & Gas LLC PO BOX 395 Rancho TX 76262	0.65	3.50								1.60					
11. 9214 8901 9403 8396 6546 50	Guadalupe Land & Minerals LLC 17521 Amalia El Paso TX 79938	0.65	3.50								1.60					
12. 9214 8901 9403 8396 6546 67	Hancel M McCord Jr 201 Por La Mar Circle Santa Barbara CA 93103	0.65	3.50													
13. 9214 8901 9403 8396 6546 74	Haymaker Holding Company LLC PO BOX 206415 Dallas TX 75320-5415	0.65	3.50													
14. 9214 8901 9403 8396 6546 81	Heather Louise Pence 7510 Xavier St Westminster CO 80030	0.65	3.50									1.60				
15. 9214 8901 9403 8396 6546 98	Hicorp San Juan LP 1111 Travis Houston TX 77002	0.65	3.50									1.60				
16. 9214 8901 9403 8396 6547 04	Jack Austin Richardson PO BOX 20100 Albuquerque NM 87154	0.65	3.50								1.60					
Total Number of Pieces Listed by Sender 37	Total Number of Pieces Received at Post Office	Postmaster, Per (Name of receiving employee)														



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Name and Address of Sender		Check type of mail or service		Affix Stamp Here (if issued as an international certificate of mailing or for additional copies of this receipt). Postmark with Date of Receipt.													
USPS Tracking/Article Number		Addressee (Name, Street, City, State, & ZIP Code™)		Postage	(Extra Service) Fee	Handling Charge	Actual Value if Registered	Insured Value	Due Sender if COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
17.	9214 8901 9403 8396 6547 11	Jeremiah C Duff-Leach DBA JCDL Oil & Gas Company LLC PO BOX 30396 Albuquerque NM 87190		0.65	3.50	Handling Charge - if Registered and over \$50,000 in value							1.60				
18.	9214 8901 9403 8396 6547 28	Joan D Johnston 4400 Covecrest Dr Salt Lake City UT 84124		0.65	3.50									1.60			
19.	9214 8901 9403 8396 6547 35	John Michael Ann Marion Richardson JFWROS 3660 Highway 41 Stanley NM 87056		0.65	3.50									1.60			
20.	9214 8901 9403 8396 6547 42	Kathryn A Palmer 2130 W El Norte PKWY Excondino CA 92026		0.65	3.50									1.60			
21.	9214 8901 9403 8396 6547 59	Lee Porter 1306 Picket Fence Ln Lincoln CA 95648		0.65	3.50									1.60			
22.	9214 8901 9403 8396 6547 66	Mark McClellan & Wife Paula McClellan PO BOX 730 Roswell NM 88202		0.65	3.50								1.60				
23.	9214 8901 9403 8396 6547 73	Mark Stephen Rades 209 Albermarle Ln Peachtree City GA 30269		0.65	3.50								1.60				
24.	9214 8901 9403 8396 6547 80	Martha J Oakes 1749 Hoyt Lakewood CO 80215		0.65	3.50								1.60				
Total Number of Pieces Listed by Sender 37		Total Number of Pieces Received at Post Office		Postmaster, Per (Name of receiving employee)													



Firm Mailing Book For Accountable Mail

Name and Address of Sender		Check type of mail or service		Affix Stamp Here (If issued as an international certificate of mailing or for additional copies of this receipt). Postmark with Date of Receipt.													
USPS Tracking/Article Number		Addressee (Name, Street, City, State, & ZIP Code™)		Postage	(Extra Service) Fee	Handling Charge	Actual Value If Registered	Insured Value	Due Sender If COD	ASR Fee	ASRD Fee	RD Fee	RR Fee	SC Fee	SCRD Fee	SH Fee	
25.	9214 8901 9403 8396 6547 97	Office Of Natural Resources Revenue Lakewood ACCTG Cent Onshore PO BOX 25627 Denver CO 80225-0627		0.65	3.50	Handling Charge - if Registered and over \$50.00 in value							1.60				
26.	9214 8901 9403 8396 6548 03	Patricia Parker Life Estate 3900 Capricorn Ct Plano TX 75023-1112		0.65	3.50								1.60				
27.	9214 8901 9403 8396 6548 10	Patricia R Allen 160 W End Ave 14B New York NY 10023-5608		0.65	3.50								1.60				
28.	9214 8901 9403 8396 6548 27	Patricia Swerer Garfield 355 Eudora St Denver CO 80220		0.65	3.50												
29.	9214 8901 9403 8396 6548 34	R R Hinkle Company Inc PO BOX 2292 Roswell NM 88202-2292		0.65	3.50												
30.	9214 8901 9403 8396 6548 41	Ronald S Davis 12 Glendalough Ct San Antonio TX 78209		0.65	3.50												
31.	9214 8901 9403 8396 6548 58	Spinaker Investments LP PO BOX 3488 Midland TX 79702		0.65	3.50									1.60			
32.	9214 8901 9403 8396 6548 65	Susan Tracy Swerer Kurtz 2716 S Milwaukee Dr Denver CO 80210		0.65	3.50									1.60			
Total Number of Pieces Listed by Sender 37		Total Number of Pieces Received at Post Office		Postmaster, Per (Name of receiving employee)													



PS Form 3877, April 2015 (Page 5 of 5) Complete in Ink Privacy Notice: For more information on USPS privacy policies, visit usps.com/privacypolicy.
PSN 7530-02-000-9098

Farmington Daily Times

PART OF THE USA TODAY NETWORK

Affidavit of Publication

Ad # 0003867424

DAVID WASHINGTON
110 NORTH GUADALUPE, SUITE 1 P

SANTA FE, NM 87504

I, being duly sworn say: **Farmington Daily Times**, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the State of New Mexico for publication and appeared in the internet at The Daily Times web site on the following days(s):

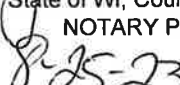
October 28, 2019



Legal Clerk

Subscribed and sworn before me this October 28,
2019:



State of WI, County of Brown
NOTARY PUBLIC


My commission expires

SHELLY HORA
Notary Public
State of Wisconsin

Ad # 0003867424
PO #: 20892
of Affidavits : 1

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 5
Submitted by: Hilcorp Energy Company
Hearing Date: November 14, 2019
Case # 20892

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES
DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO**

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on **November 14, 2019**, in Porter Hall, the Oil Conservation Division Hearing Room, 1st Floor, Wendell Chino Building, 1220 South St. Francis, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact: Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by **November 4, 2019**. Public documents, including the agenda and minutes, can be provided in various accessible formats. Members of the public may obtain copies of the docket by contacting Ms. Davidson at the phone number indicated above. Also, the docket will be posted on the Oil Conservation Division website at www.emnrd.state.nm.us/OCD/. Please contact Ms. Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO:
All named parties and persons
having any right, title, interest
or claim in the following case
and notice to the public.

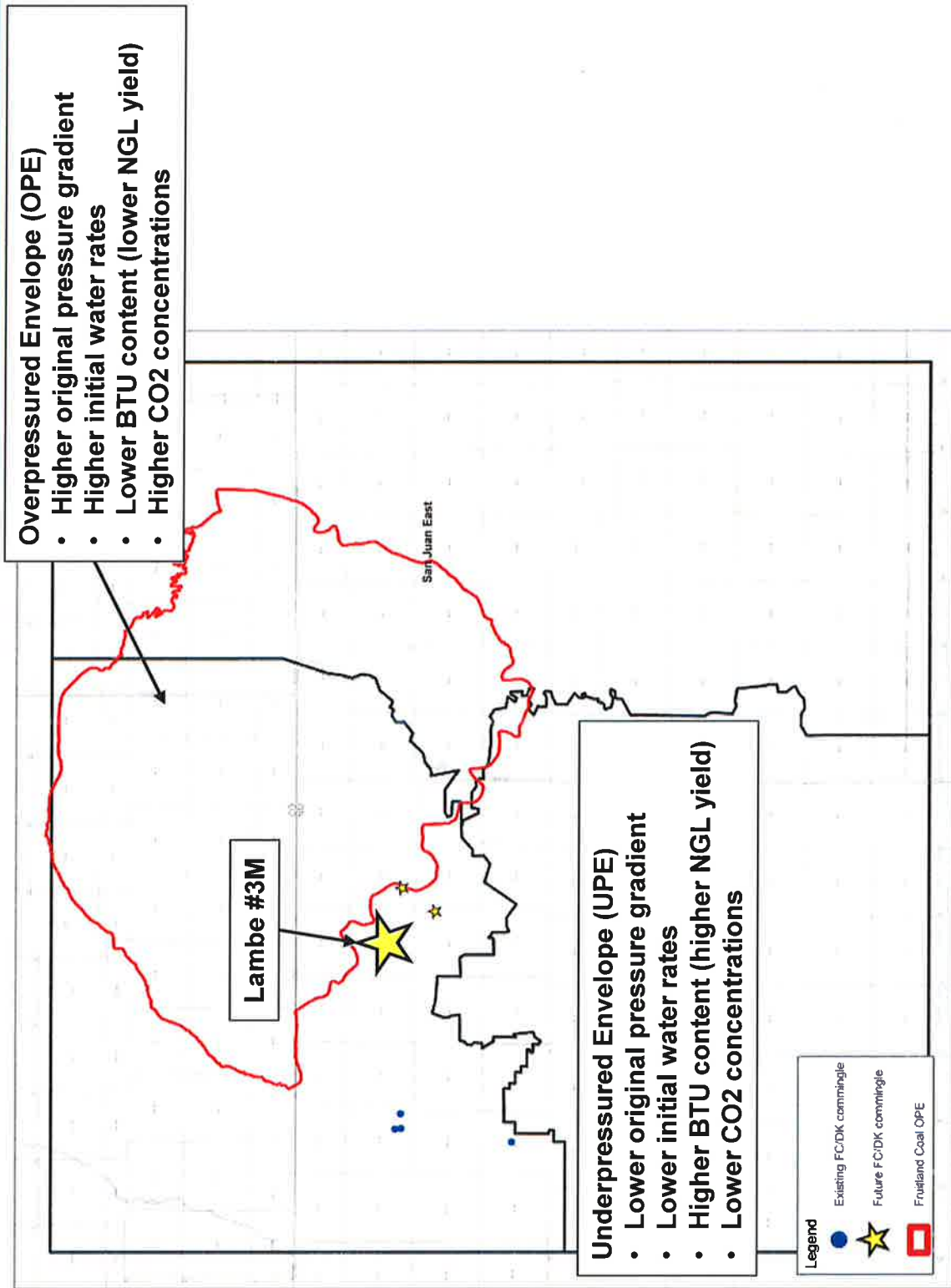
(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

TO: All working interest owners in the subject spacing unit and offsetting operators or leased mineral interest owners, including: A. Courtney McCord, her heirs and devisees; Alcy M. Wilkie, his heirs and devisees; Bernard Lee House, Jr., his heirs and devisees; Casa Grande Royalty Co Inc; Compound Properties LLC; Craig M. Wilkie, his heirs and devisees; David George Swerer, his heirs and devisees; DGD Minerals Ltd; Emily Janice Leach, her heirs and devisees, dba E.J.L. Oil & Gas Company LLC; Escondido Oil & Gas LLC; Guadalupe Land & Minerals LLC; Hancel M. McCord, Jr., his heirs and devisees; Haymaker Holding Company LLC; Heather Louise Pence, her heirs and devisees; Jack Austin Richardson, his heirs and devisees; Jeremiah C. Duff-Leach, his heirs and devisees; Joan D. Johnston, her heirs and devisees; John Michael and Marion Richardson, JTWROS, their heirs and devisees; Kathryn A. Palmer, her heirs and devisees; Lee Porter, his heirs and devisees; Mark McClellan & Wife Paula McClellan, their heirs and devisees; Mark Stephen Reese, his heirs and devisees; Martha J. Oakes, her heirs and devisees; Office Of Natural Resources Revenue, Lakewood Accounting Center Onshore; Patricia Parker, her heirs and devisees; Patricia R. Aller, her heirs and devisees; Patricia Swerer Garfield, her heirs and devisees; R. R. Hinkle Company Inc; Ronald S. Davis, his heirs and devisees; Spinner Investments LP; Susan Tracy Swerer Kurtz, her heirs and devisees; Ted E. Duff Trust, Ted E. Duff, Trustee; Thomas F. Scanlan, his heirs and devisees; Tierra Oil Company LLC, Wilderpan LLC; Wilkie & Co LLP.

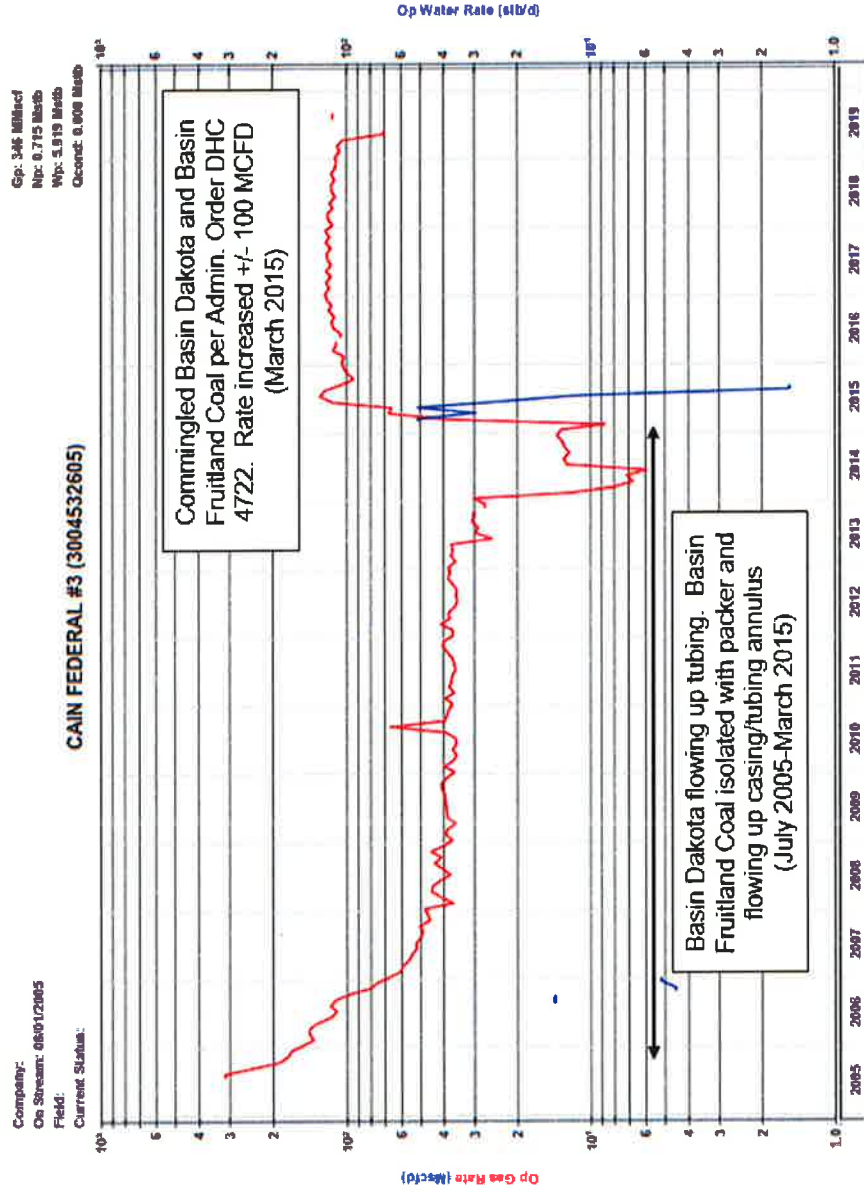
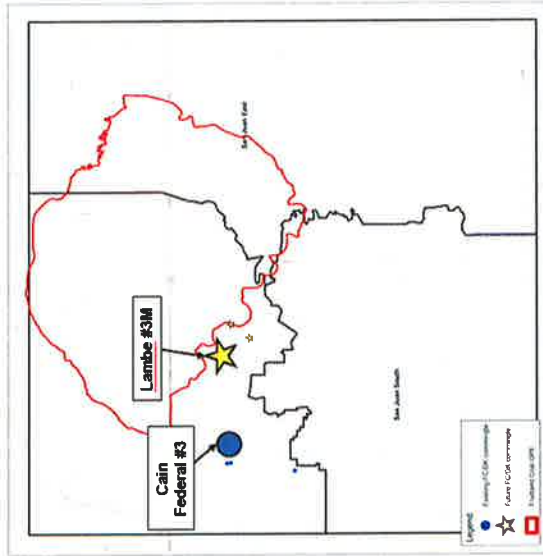
Case No. 20892: Application of Hilcorp Energy Company for Downhole Commingling in its Lambe 003M Well, San Juan County, New Mexico. Pursuant to 19.15.12.11 NMAC, applicant seeks an order authorizing it to downhole commingle production from the Basin-Dakota Gas Pool (Pool Code 71599) and Blanco-Mesaverde Gas Pool (Pool Code 72319) with production from the Basin-Fruitland Coal Gas Pool

(Pool Code 71629) within the wellbore of its **Lambe 003M Well** (API 30-045-33680) which is at a standard location 1,110 feet from the south line and 1,885 feet from the east line (Lot 15) in Section 21, Township 31 North, Range 10 West, NMPM, San Juan County, New Mexico. The well is currently simultaneously dedicated to standard 310-acre, more or less, spacing units within the Basin-Dakota and Blanco-Mesaverde Pools comprised of the E/2 of Section 21. Hilcorp proposes to re-complete the well within the Fruitland formation and simultaneously dedicate it to a standard 310-acre, more or less, spacing unit in the Basin-Fruitland Coal Gas Pool (Pool Code 71629) comprised of the E/2 of said Section 21. Said area is approximately 7 miles northeast, of Aztec, NM.
#3867424, Daily Times, Oct 28, 2019

Fruitland Coal Introduction



Example of Basin Dakota / Basin Fruitland Coal Commingle



Lambe #3M Gas Treating and Processing



Produced gas from the Lambe #3M Blanco Mesaverde / Basin Dakota currently flows to Enterprise Chaco processing plant.

- NGL's are processed.

Commingled Blanco Mesaverde, Basin Dakota, and Basin Fruitland Coal production from Lambe #3M will still flow to Enterprise Chaco processing plant.

- NGL's will be processed.

Lambe #3M Blanco Mesaverde / Basin Dakota gas has similar BTU and CO2 content to offset Basin Fruitland Coal production:

Well	API	Formation	BTU	CO2 Content
Lambe #3M	3004533680	Blanco Mesaverde/ Basin Dakota	1,148	1.76%
Lambe #7	3004521901	Basin Fruitland Coal	1,122	0.92%

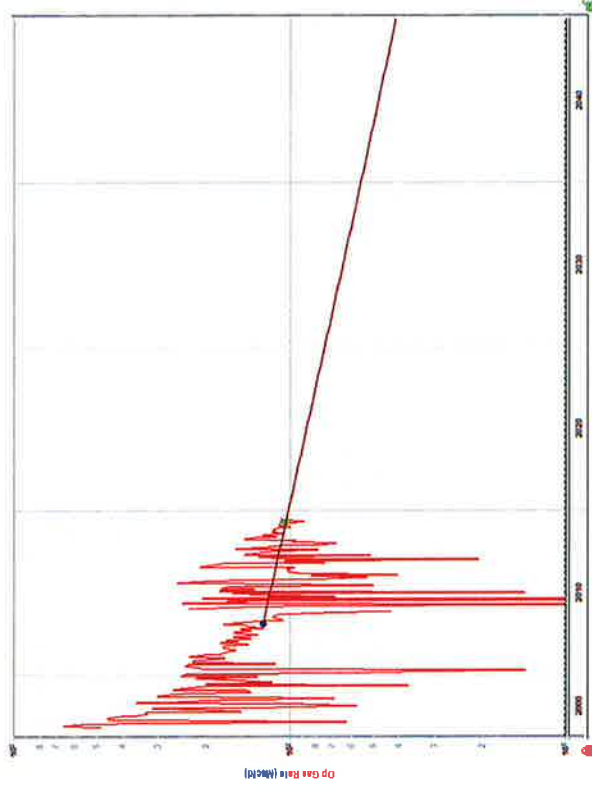
The commingling of Blanco Mesaverde, Basin Dakota, and Basin Fruitland Coal in the Lambe #3M will not reduce the value of gas stream for royalty owners in either formation



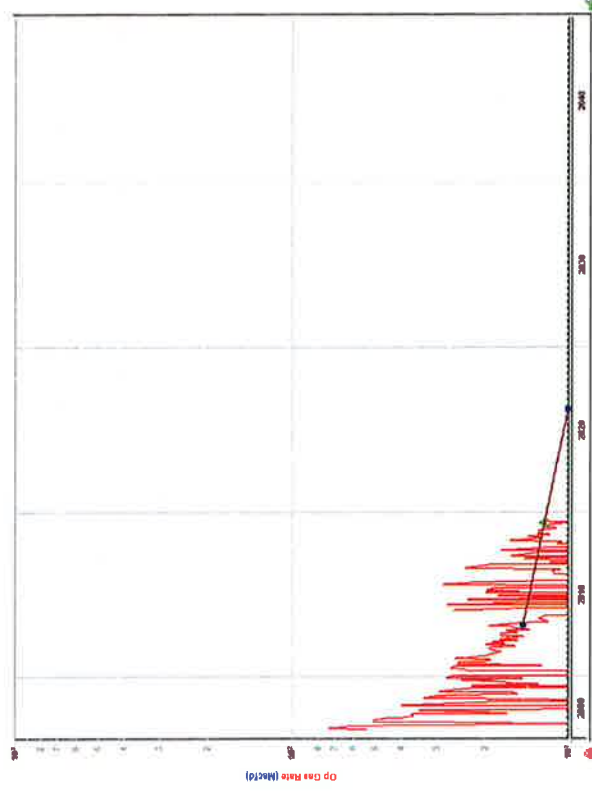
Lambe #3M Gas Production Allocation

Gas production from the commingled Basin Fruitland Coal, Blanco Mesaverde, and Basin Dakota will be allocated using subtraction method.

Lambe #3M Blanco Mesaverde Forecast



Lambe #3M Basin Dakota Forecast



All gas production exceeding combined Blanco Mesaverde and Basin Dakota forecasts will be allocated to Basin Fruitland Coal.



Basin Fruitland Coal Water Production

The Basin Fruitland Coal is dewatered in the Lambe #3M area.

- Offset Basin Fruitland Coal producers produce an average of 0.2 BWPD

API	Water Rate (BWPD)	Distance From Lambe #3M (feet)
300453291300	0.8	3,690
300452699200	0.1	2,713
300452190100	-	2,365
300453431600	-	3,294
300452730700	0.2	3,334

The commingled Basin Fruitland Coal, Blanco Mesaverde, and Basin Dakota will have plunger lift installed. Plunger lift is capable of lifting the expected Basin Fruitland Coal, Blanco Mesaverde, and Basin Dakota water production.



Water Compatibility

Representative water samples were tested for compatibility. The commingled water is unlikely to precipitate scale. Any scale that is precipitated can effectively be treated with scale inhibitor.

The fluids from each pool are compatible and combining the fluids will not damage the pools.



Lambe #3M Fracture Parting Pressure

The Fruitland Coal has a fracture parting pressure = 1,377 psi

- $2,118' \times 0.65 \text{ psi/ft} = 1,377 \text{ psi}$

The maximum expected surface shut in pressure is 183 psi. This pressure will not exceed the fracture parting pressure of any commingled pools.



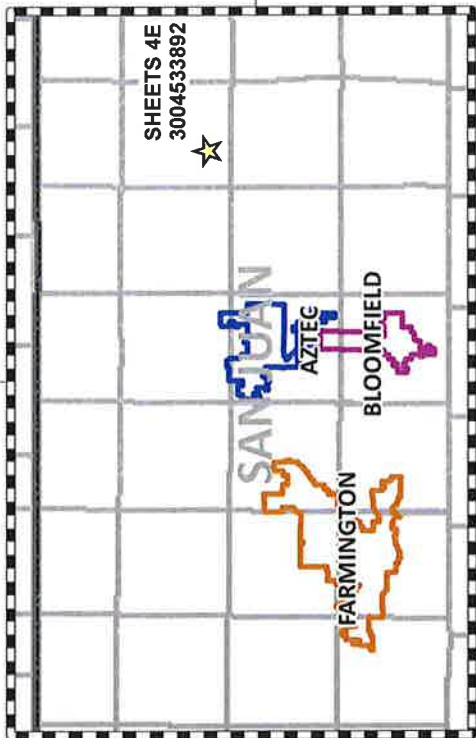
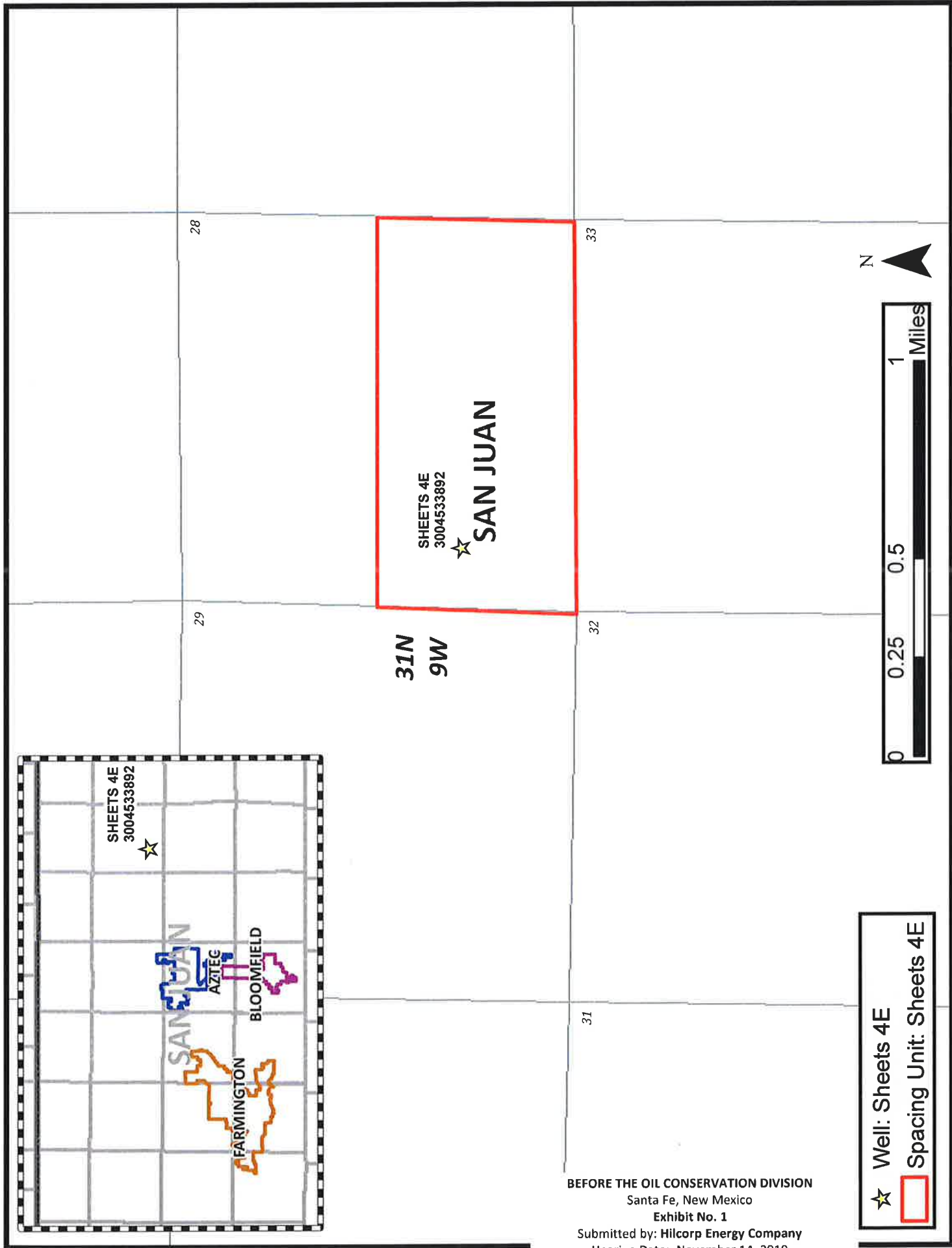
Lambe #3M Drive Mechanisms



The production drive mechanism for the Basin Fruitland Coal is gas desorption.

The production drive mechanism for the Blanco Mesaverde and Basin Dakota is depletion drive.

These two drive mechanisms are compatible and commingling will not result in the loss of reserves. The Blanco Mesaverde and Pictured Cliffs are two depletion drive reservoirs that are frequently commingled with the gas desorption drive Basin Fruitland Coal with no negative consequences.



BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Exhibit No. 1
Submitted by: Hilcorp Energy Company
Hearing Date: November 14, 2019
Case # 20893

☆ Well: Shets 4E
□ Spacing Unit: Shets 4E

RECEIVED:	REVIEWER:	TYPE:	APP NO:
-----------	-----------	-------	---------

ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND
 REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: Hilcorp Energy Company**OGRID Number:** 372171**Well Name:** Sheets 4E**API:** 30-045-33892**Pool:** Basin Fruitland Coal / Basin Dakota**Pool Code:** 71629 / 71599

**SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION
 INDICATED BELOW**

1) TYPE OF APPLICATION: Check those which apply for [A]

A. Location - Spacing Unit - Simultaneous Dedication

☐ NSL☐ NSP (PROJECT AREA)☐ NSP (PRORATION UNIT)☐ SD

B. Check one only for [I] or [II]

[I] Commingling - Storage - Measurement

☒ DHC☐ CTB☐ PLC☐ PC☐ OLS☐ OLM

[II] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX☐ PMX☐ SWD☐ IPI☐ EOR☐ PPR**2) NOTIFICATION REQUIRED TO:** Check those which apply.A. ☐ Offset operators or lease holdersB. ☐ Royalty, overriding royalty owners, revenue ownersC. ☐ Application requires published noticeD. ☐ Notification and/or concurrent approval by SLOE. ☐ Notification and/or concurrent approval by BLMF. ☐ Surface ownerG. ☐ For all of the above, proof of notification or publication is attached, and/or,H. ☒ No notice required**FOR OCD ONLY**☐ Notice Complete☐ Application
Content
Complete

3) CERTIFICATION: I hereby certify that the information submitted with this application for
 administrative approval is **accurate** and **complete** to the best of my knowledge. I also
 understand that **no action** will be taken on this application until the required information and
 notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Thomas Jacques

Print or Type Name

8/8/2019

Date

832.839.4582

Phone Number

tjacques@hilcorp.com

e-mail Address

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2

Submitted by: **Hilcorp Energy Company**

Hearing Date: November 14, 2019

Case # 20893

Signature

District I
1625 N. French Drive, Hobbs, NM 88240

District II
811 S. First St., Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised August 1, 2011

APPLICATION TYPE
☐ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Hilcorp Energy Company

382 Road 3100, Aztec, NM 87410

Operator

Address

Sheets

#004E

L 28 31N 09W

San Juan

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 372171 Property Code 318729 API No. 3004533892 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	BASIN FRUITLAND COAL		BASIN DAKOTA
Pool Code	71629		71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2828'-3017'		7370'-7522'
Method of Production (Flowing or Artificial Lift)	New Zone		Plunger Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	150 psi		200 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1000 BTU		1000 BTU
Producing, Shut-In or New Zone	New Zone		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: N/A Rates:	Date: Rates:	Date: 5/2019 Rates: 0 BO, 1197 MCF, 45 BW
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?

Yes ☒ No ☐

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☐ No ☐

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No ☐

Will commingling decrease the value of production?

Yes ☐ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes ☒ No ☐

NMOCD Reference Case No. applicable to this well: _____

Attachments:

C-102 for each zone to be commingled showing its spacing unit and acreage dedication.

Production curve for each zone for at least one year. (If not available, attach explanation.)

For zones with no production history, estimated production rates and supporting data.

Data to support allocation method or formula.

Notification list of working, royalty and overriding royalty interests for uncommon interest cases.

Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools

List of all operators within the proposed Pre-Approved Pools

Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.

Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Priscilla Shorty TITLE Operations/Regulatory Technician - Sr. DATE 8/8/2019

TYPE OR PRINT NAME Priscilla Shorty TELEPHONE NO. (505) 324-5188

E-MAIL ADDRESS pshorty@hilcorp.com

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1301 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, NM 87505

Form O-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

COPY

¹ API Number 30-045-3389a	² Pool Code 71599	³ Pool Name Basin Dakota
⁴ Property Code 7504	⁵ Property Name SHEETS	⁶ Well Number 4E
⁷ OCRID No. 14538	⁸ Operator Name BURLINGTON RESOURCES OIL & GAS COMPANY LP	⁹ Elevation 6187

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	28	31-N	9-W	2	1525	SOUTH	815	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L									
¹² Dedicated Acres DK 318.200ac. S2		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16					17 OPERATOR CERTIFICATION
LOT 1 39.10 FD. 3 1/4" BC. 1966 B.L.M. N 02°01'22" E 2631.62' (M) LOT 2 39.20 815' 1525' LOT 3 39.39 LOT 4 39.43 FD. 3 1/4" BC. 1966 B.L.M. S 89°35'48" W 2619.53' (M) FD. 3 1/4" BC. 1966 B.L.M. USA SF-080376-A LAT: 36.86604° N. (NAD 83) LONG: 107.79194° W. (NAD 83) LAT: 36°51.9627' N. (NAD 27) LONG: 107°47.5164' W. (NAD 27)				I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. <i>Philana Thompson</i> Signature Date Philana Thompson Printed Name Regulatory Analyst	
				18 SURVEYOR CERTIFICATION	
				I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. JUNE 17, 2006 Date of Survey Signature <i>John A. Vukobratovic</i> JOHN A. VUKOBRA TOVIC NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 14831 Certificate Number	

District I

1025 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II

811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6176 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural
Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
August 1, 2011

Permit 270019

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-045-33892	2. Pool Code 71629	3. Pool Name BASIN FRUITLAND COAL (GAS)
4. Property Code 318729	5. Property Name SHEETS	6. Well No. 004E
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6187

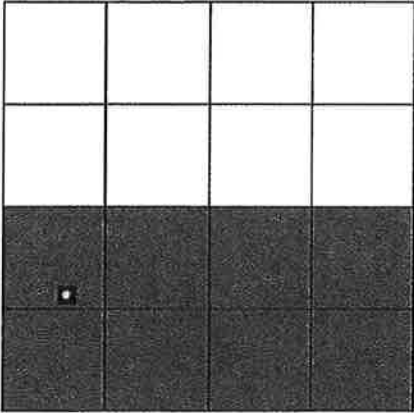
10. Surface Location

UL - Lot L	Section 28	Township 31N	Range 09W	Lot Idn 2	Feet From 1525	N/S Line S	Feet From 815	E/W Line W	County SAN JUAN
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 318.02	13. Joint or Infill			14. Consolidation Code			15. Order No.		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i> E-Signed By: <i>Priscilla Shorty</i> Title: Operations Regulatory Tech - Sr. Date: 07/18/2019 SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> Surveyed By: John Vukonich Date of Survey: 6/17/2006 Certificate Number: 14831
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Discussion of Pressures

Reservoir	Bottom Hole Pressure
Basin Fruitland Coal	150 psi
Basin Dakota	200 psi

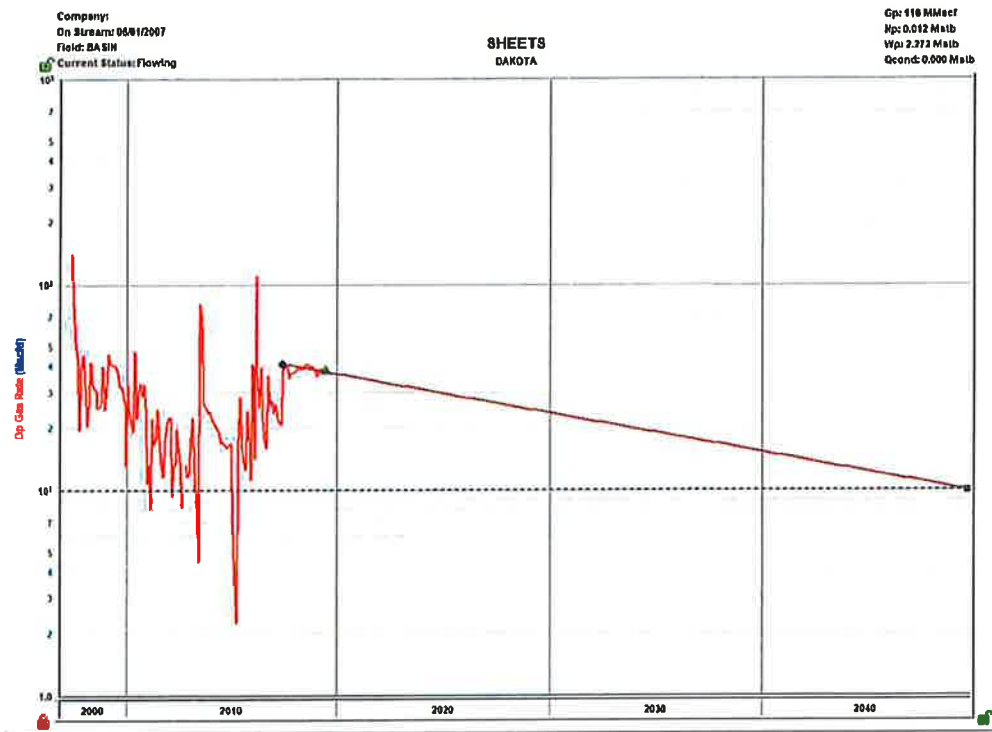
The pressure provided is the near wellbore shut in bottom hole pressure of the Basin Dakota. The near wellbore shut in bottom hole pressure is much lower than the far field stabilized reservoir pressure calculated with moving domain material balance due to the low permeability of the reservoirs. Based on pressure transient analysis performed in the San Juan Basin, it would take 7-25 years for shut in bottom hole pressures to build up to the calculated far-field reservoir pressure. Our observation is that even for areas of high static reservoir pressure, the low permeability of the reservoir rock results in rapid depletion of the near-fracture region quickly enough that the wells are unable produce without the aid of a plunger. Given low permeability and low wellbore flowing pressure in the Basin Dakota and Basin Fruitland Coal, loss of reserves due to cross-flow is not an issue during producing or shut-in periods. Given the low shut-in bottom hole pressures, commingling the Basin Dakota and Basin Fruitland Coal in this well will not result in shut-in or flowing wellbore pressures in excess of any commingled pool's fracture parting pressure.

John Brown 8/7/19

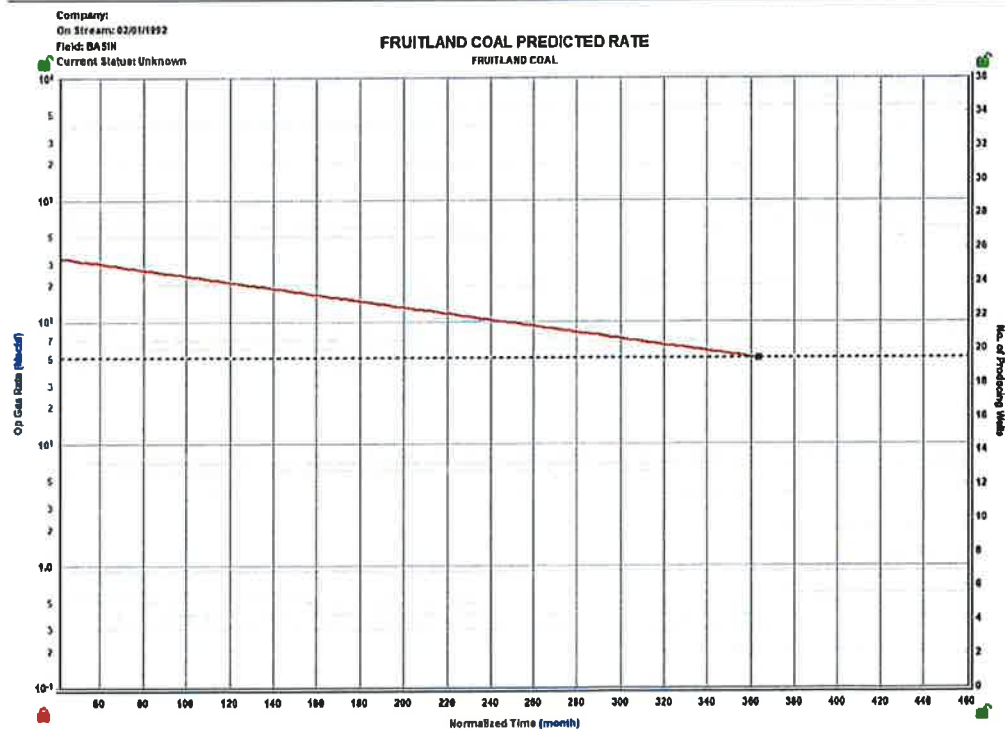
John Brown

Hilcorp San Juan Reservoir Engineer

Sheets #4E Basin Dakota Forecast



Sheets #4E Predicted Basin Fruitland Coal Forecast



The Sheets #4E predicted Basin Fruitland Coal rate is based on type well and volumetric analysis of offset Basin Fruitland Coal producers. The reservoir fluids of the commingled completions are compatible.

JUSTIFICATION OF ALLOCATION: Hilcorp requests that production for the downhole commingle be allocated using the subtraction method. The base formations is the Basin Dakota and the added formation to be commingled is the Basin Fruitland Coal. The subtraction method applies an average monthly production forecast to the base formation(s) using historic production. All production from this well exceeding the forecast will be allocated to the new formation(s). A fixed percentage based allocation will be submitted after the fourth year of production. See attached documents for production forecast. The Basin Fruitland Coal will not produce oil. All oil produced will be allocated to the Basin Dakota.

Historical Production

Basin Dakota

	Oil (BBLs)	Gas (MCF)	Water (BBLs)
Dec-18	0	1181	45
Jan-19	0	1118	45
Feb-19	0	1034	41
Mar-19	0	1192	45
Apr-19	0	1152	43
May-19	0	1197	45



August 8, 2019

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
Attn: Michael McMillan

Re: C-107-A (Downhole Commingle)
Sheets 004E
API: 30-045-33892
T31N-R9W-Section 28, Unit Letter: L
San Juan County, NM

Mr. McMillan:

Concerning Hilcorp Energy Company's C-107-A application to downhole commingle production in the subject well, this letter serves to confirm the following:

- All working, royalty and overriding royalty interests are identical between the Basin Dakota (71599) and Basin Fruitland Coal (71629) in the spacing unit dedicated to these formations; being the S/2 (318.02 acres) of Township 31 North, Range 9 West, Section 28. Therefore, no notice to interest owners is required.
- The spacing unit is comprised of a federal lease. Therefore, pursuant to Subsection C.(1) of 19.15.12.11 NMAC, a copy of the C-107-A has been sent to the BLM as of the date of this letter.

If you have any questions or concerns regarding this matter, please do not hesitate to contact me at the email or number provided below.

Regards,

Hilcorp Energy Company

A handwritten signature in blue ink, appearing to read 'R. Carlson'.

Robert T. Carlson
Landman
(832) 839-4596
rcarlson@hilcorp.com

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018

5. Lease Serial No.
NMSF080376A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

SUBMIT IN TRIPLICATE - Other instructions on page 2

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.
SHEETS 4E

2. Name of Operator
HILCORP ENERGY COMPANY

Contact: PRISCILLA SHORTY
E-Mail: pshorty@hilcorp.com

9. API Well No.
30-045-33892

3a. Address
382 ROAD 3100
AZTEC, NM 87410

3b. Phone No. (include area code)
Ph: 505-324-5188

10. Field and Pool or Exploratory Area
BASIN DAKOTA

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec 28 T31N R09W Mer NMP NWSW 1525FSL 815FWL

11. County or Parish, State

SAN JUAN COUNTY, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Hydraulic Fracturing	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☒ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

Hilcorp Energy Company requests permission to recomplete the subject well in the Fruitland Coal and downhole commingle with the existing Dakota formation. Attached is the procedure, wellbore diagram, plat, and gas capture plan. A DHC application will be filed and approved prior to commingling. A closed loop system will be used. Interim reclamation will be performed after surface disturbing activities.

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #474471 verified by the BLM Well Information System
For HILCORP ENERGY COMPANY, sent to the Farmington

Name (Printed/Typed) PRISCILLA SHORTY

Title OPERATIONS REGULATORY TECH

Signature (Electronic Submission)

Date 07/22/2019

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****



HILCORP ENERGY COMPANY
SHEETS 4E
FRUITLAND COAL RECOMPLETION SUNDRY

SHEETS 4E - CURRENT WELLBORE SCHEMATIC

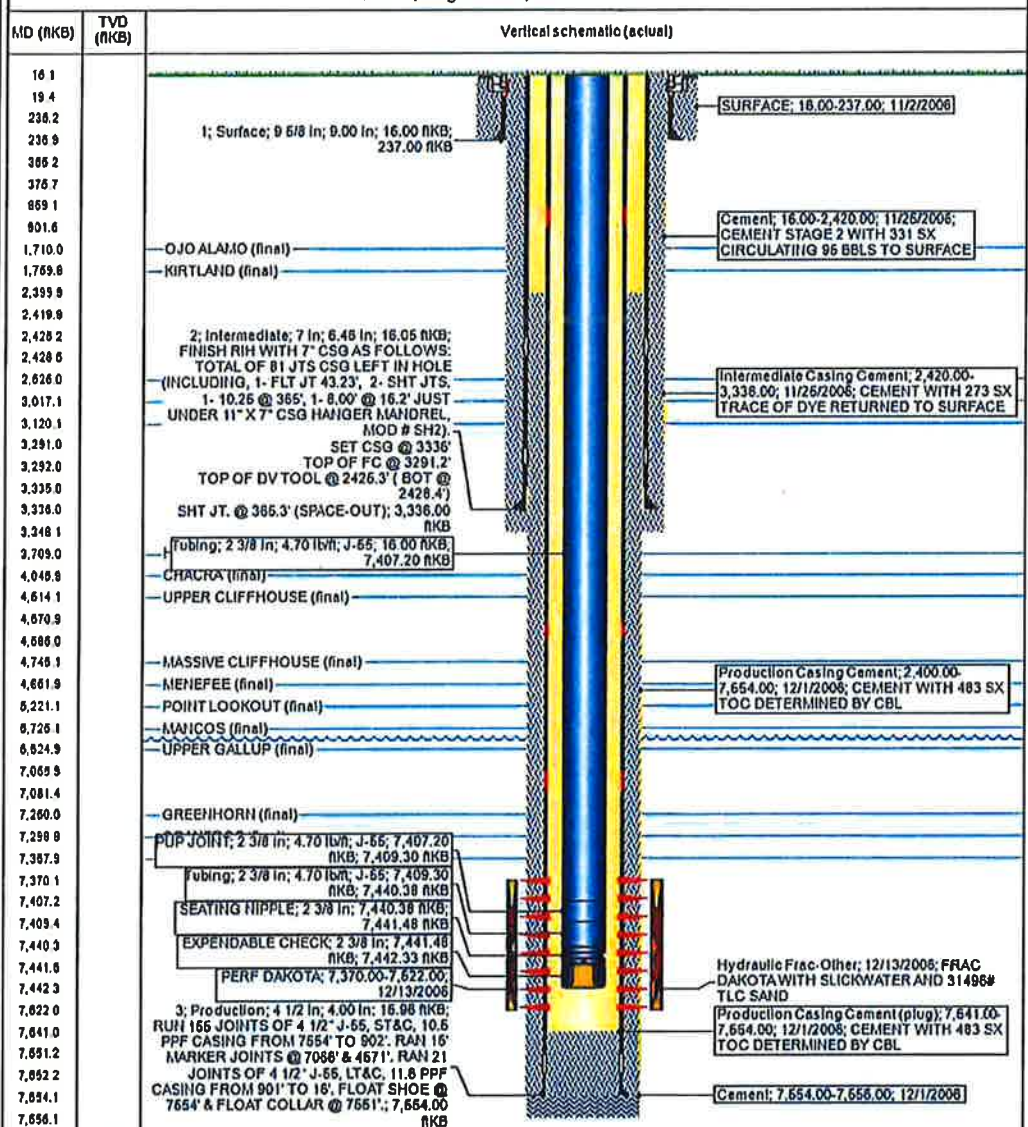


Current Schematic

Well Name: SHEETS #4E

API/UVN 3004533892	Surface Location 028-03 IN-009W-L	Field Name BASIN DAKOTA (PRORATED GAS)	Route 0408	State/Province NEW MEXICO	Well Configuration Type VERTICAL
Ground Elevation (ft) 6,187.00	Original KB RT Elevation (ft) 6,203.00	OB-Drill Distance (ft) 15.00	OB-Casing Flange Distance (ft)	OB-Twing Flange Distance (ft)	

VERTICAL, Original Hole, 7/18/2019 8:36:04 AM





HILCORP ENERGY COMPANY
SHEETS 4E
FRUITLAND COAL RECOMPLETION SUNDRY

SHEETS 4E - CURRENT WELLBORE SCHEMATIC

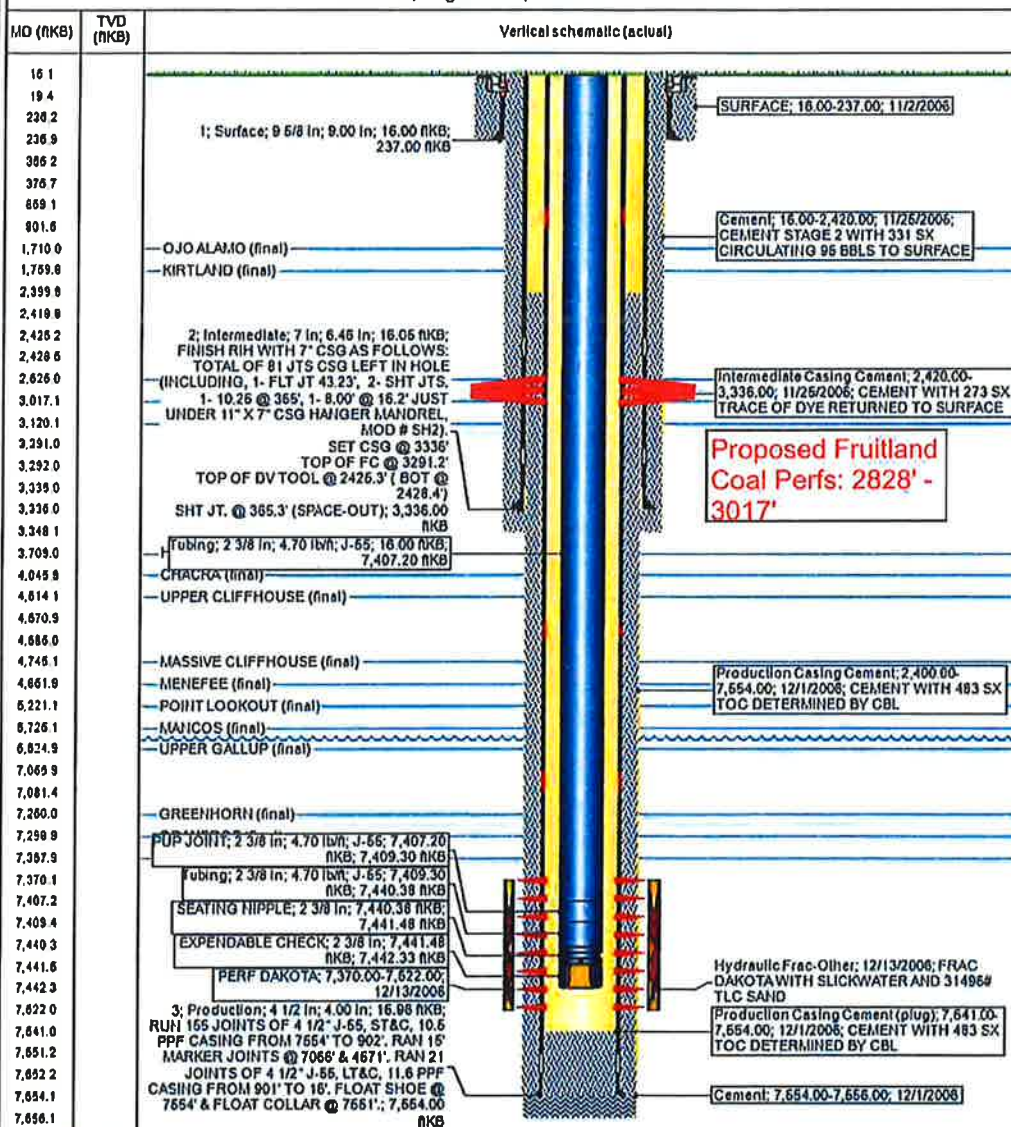


Proposed Schematic

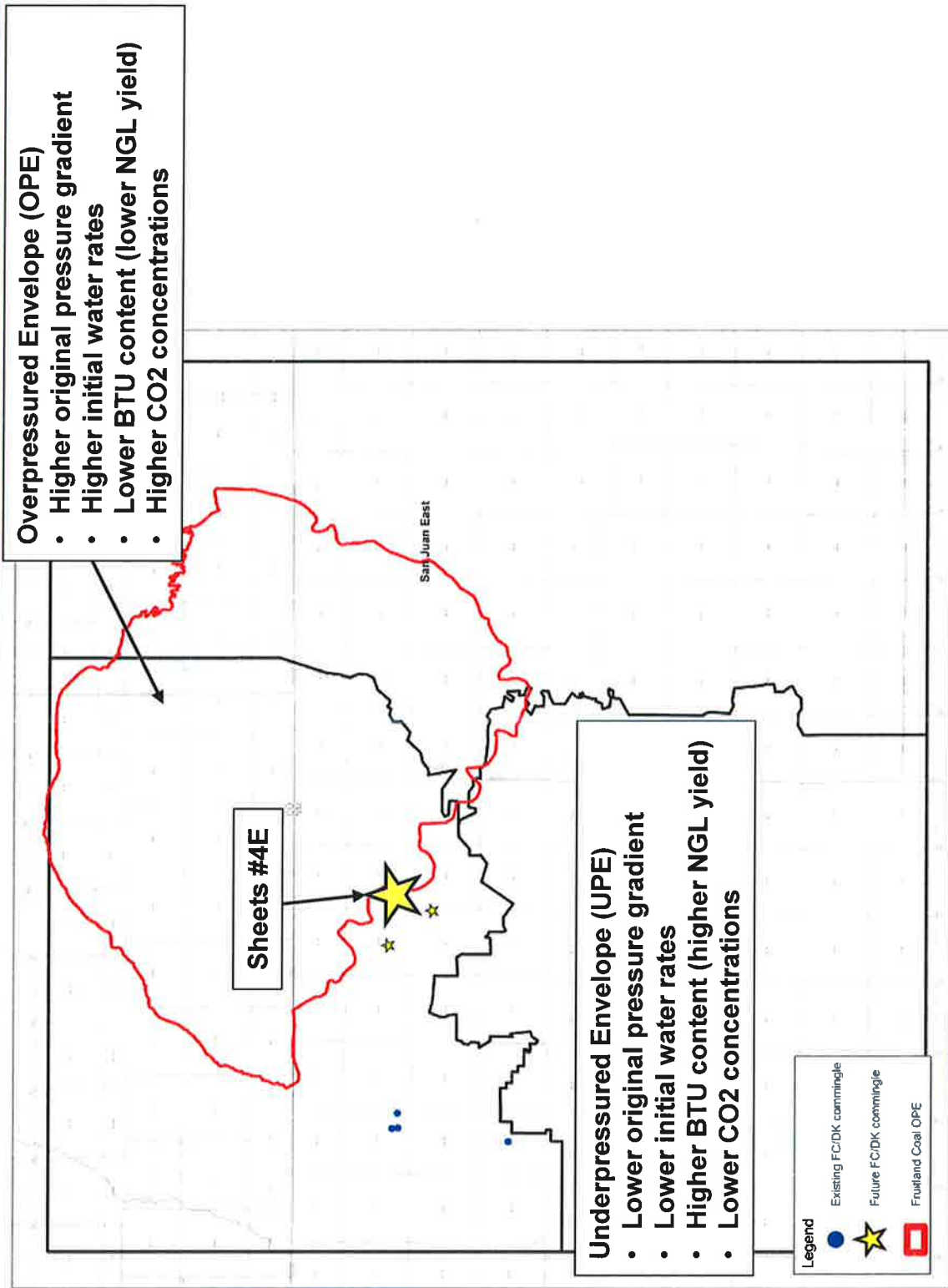
Well Name: SHEETS #4E

API Well 3004533892	Surface Leg Location 028-03 IN-009W-L	Field Name BASIN DAKOTA (PRORATED GAS)	Route 0408	State Province NEW MEXICO	Well Configuration Type VERTICAL
Ground Elevation (ft) 6,187.00	Original KB RT Elevation (ft) 6,203.00	CS-Grnd Distance (ft) 16.00	CS-Casing Hang Distance (ft)	CS-Tubing Hang Distance (ft)	

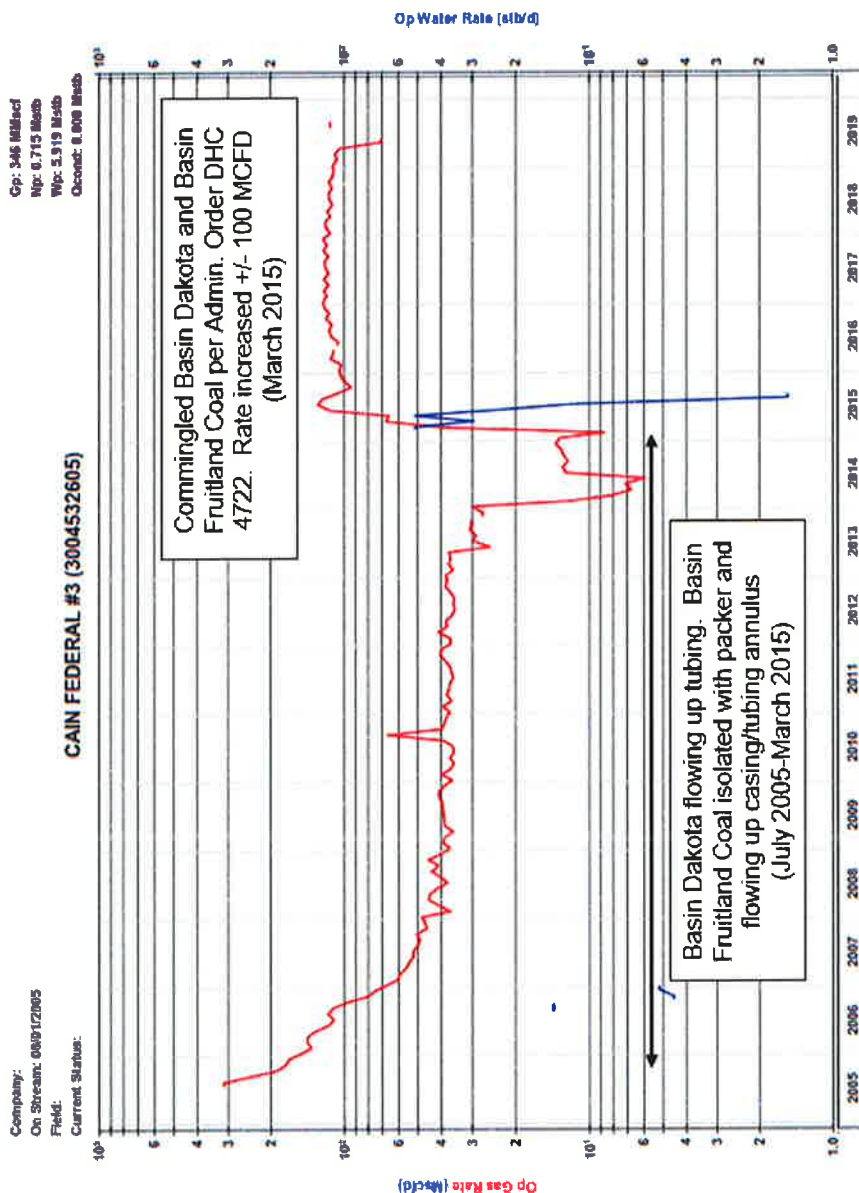
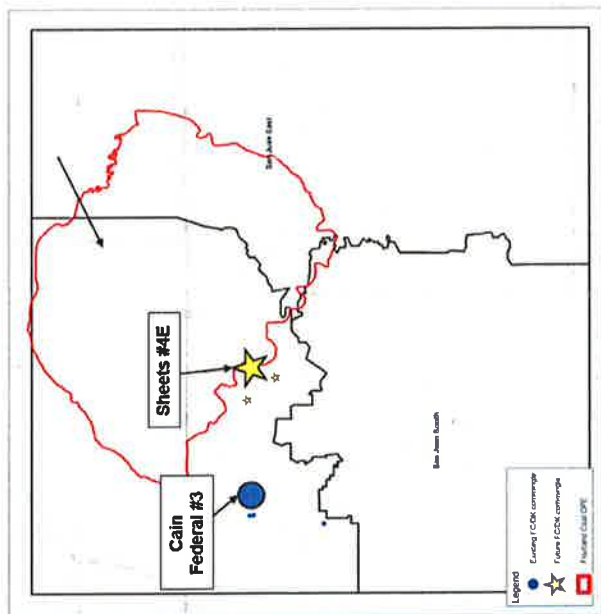
VERTICAL, Original Hole, 7/18/2019 8:36:04 AM



Fruitland Coal Introduction



Example of Basin Dakota Basin / Fruitland Coal Commingle



Sheets #4E Gas Treating and Processing



Produced gas from the Sheets #4E Basin Dakota currently flows to Enterprise Chaco processing plant.

- NGL's are processed.

Commingled Basin Dakota and Basin Fruitland Coal production from Sheets #4E will still flow to Enterprise Chaco processing plant.

- NGL's will be processed.

Sheets #4E Basin Dakota gas has similar BTU and CO2 content to offset Basin Fruitland Coal production:

Well	API	Formation	BTU	CO2 Content
Sheets #4E	3004533892	Basin Dakota	1,008	3.16%
FC State Com #2	3004527477	Basin Fruitland Coal	1,103	3.09%

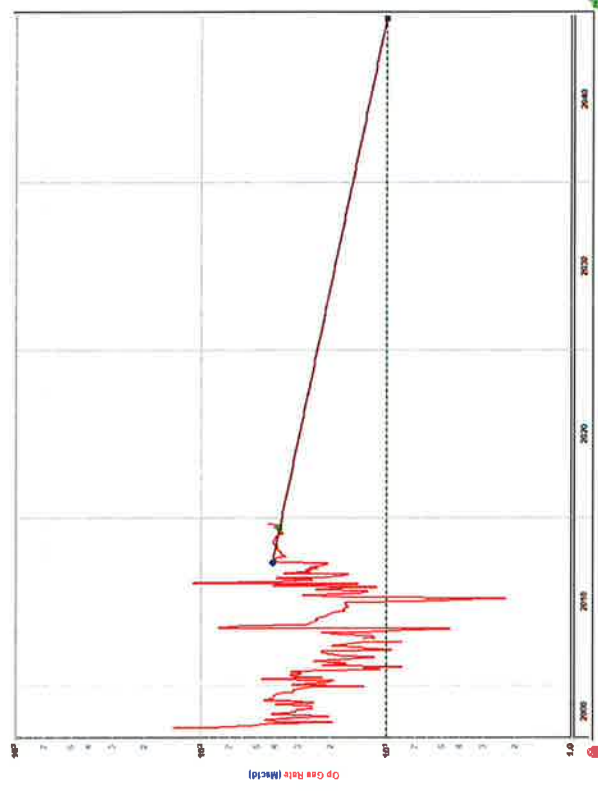
The commingling of Basin Dakota and Basin Fruitland Coal in the Sheets #4E will not reduce the value of gas stream for royalty owners in either formation



Sheets #4E Gas Production Allocation

Gas production from the commingled Basin Fruitland Coal and Basin Dakota will be allocated using subtraction method.

Sheets #4E Basin Dakota Forecast



All gas production exceeding Basin Dakota forecast will be allocated to Basin Fruitland Coal.

Basin Fruitland Coal Water Production



The Basin Fruitland Coal is dewatered in the Sheets #4E area.

- Offset Basin Fruitland Coal producers produce an average of 1.1 BWPD

API	Water Rate (BWPD)	Distance From Sheets #4E (feet)
300452775900	0.5	3,310
300453138600	0.4	2,502
300453327600	0.5	2,515
300452692300	2.5	2,626
300452892100	1.5	2,825

The commingled Basin Fruitland Coal and Basin Dakota will have plunger lift installed. Plunger lift is capable of lifting the expected Basin Fruitland Coal and Basin Dakota water production.

Water Compatibility



Representative water samples were tested for compatibility. The commingled water is unlikely to precipitate scale. Any scale that is precipitated can effectively be treated with scale inhibitor.

The fluids from each pool are compatible and combining the fluids will not damage the pools.

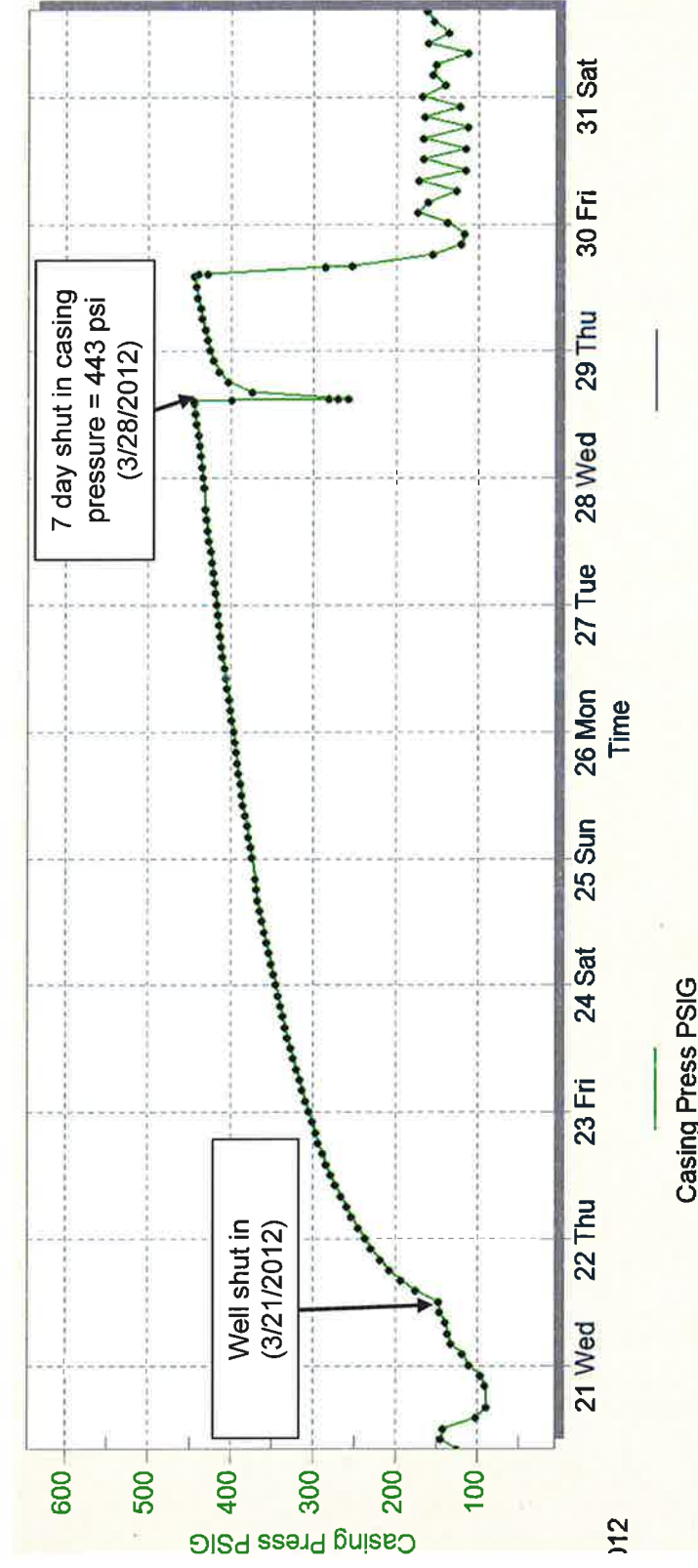


Sheets #4E Fracture Parting Pressure

The Fruitland Coal has a fracture parting pressure = 1,838 psi

- 2,828' x 0.65 psi/ft = 1,838 psi
- Basin Dakota reservoir pressure is estimated to be less than 500 psi based on offset Basin Dakota shut in pressures.
- The Johnston Fed #6E (API 3004534699) had a maximum shut in surface pressure of 443 psi after a 7 day shut in from 3/21-3/28/2012.
- There has been significant Basin Dakota production since this date, resulting in lower than expected surface shut in pressures.
- The maximum surface shut in pressure will not exceed the fracture parting pressure of any commingled pools.

Johnston Fed #6E



Sheets #4E Drive Mechanisms



The production drive mechanism for the Basin Fruitland Coal is gas desorption.

The production drive mechanism for the Basin Dakota is depletion drive.

These two drive mechanisms are compatible and commingling will not result in the loss of reserves. The Blanco Mesaverde and Pictured Cliffs are two depletion drive reservoirs that are frequently commingled with the gas desorption drive Basin Fruitland Coal with no negative consequences.